FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,503 — Tuesday December 18 1984 — D 8523 B

Tough decision for Manufacturers Hanover, Page 15

NEWS SUMMARY

GENERAL

Israel seeks $2bn U.S. aid

A team of Israeli treasury officials flew to Washington to seek $2bn in supplementary aid to help Israel out of its severe economic crisis.

The country's most pressing issue is the rapid erosion of its foreign currency reserves, currently standing at $2.8bn. Officials say they might be exhausted within seven months.

Meanwhile Israel's two main parties were making strenuous efforts to head off a coalition crisis that might develop if the ultra-religious Shas party carries out its threat to resign today. Page 3

German banker held

Ferdinand von Galen, the former head of the rescued West German private bank Schröder, Münchmeyer, Hengst (SMH) has been taken into custody for questioning. Page 2

Unesco 'will survive'

Unesco director-general Amadou Mahtar M'bow told a news conference in Kuwait that the UN agency would survive the U.S. withdrawal at the end of the year but faced spending cuts unless remaining members increased their contributions.

Leader escapes

India's main opposition leader, former prime minister Charan Singh, 82, escaped unhurt after his four-seater plane crash-landed at an airport in northern Uttar Pradesh.

Villagers killed

Peru's Maoist Sendero Luminoso guerrillas killed 16 villagers during an attack on the Andean village of Aspuna.

Italy bank strike

About 75 per cent of Italian banks were closed during a morning strike by 220,000 bank employees to press demands for a new contract.

Brazil flood deaths

Heavy rain and flooding in Brazil's south-eastern Minas Gerais state killed 11 people, including eight children, and left at least 2,500 homeless over the weekend.

French blockade

French lorry drivers blockaded all Swiss border points for 24 hours in protest over Switzerland's introduction of new tolls from January 1.

Solidarity man jailed

Andrzej Gwiazda, former national deputy chairman of the outlawed Polish Solidarity trade union, was jailed for three months for participation in an anti-government demonstration.

Blast 'killed 490'

The official death toll from last month's gas explosions and fire in Mexico City rose to 490.

Tel Aviv bomb

At least three people were wounded when a grenade was thrown at a bus near the central Tel Aviv market.

Peronist walk-out

Argentina's main opposition party, the Peronists, are in disarray after 347 of 684 delegates walked out of the party conference in Buenos Aires. Page 4

Protest halts plant

Several thousand Austrian environmentalist demonstrators prevented work for the second week running on the hydroelectric power plant at Hainburg near the Czechoslovak border. Page 2

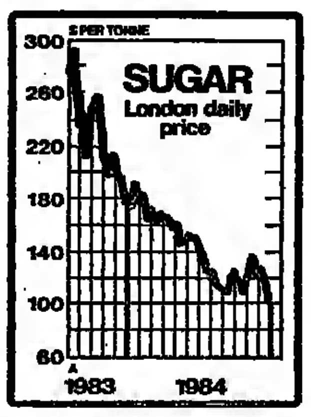
BUSINESS

Thyssen returns to the black

THYSSEN, West German industrial group and the country's largest steelmaker, made a "clear" profit in the year to September 30 after record losses in 1982-83. It will pass its dividend, however, for the second year running. Page 19

DOLLAR was little changed in London, remaining steady at DM 3.089, slightly firmer at SwFr 2.549 (SwFr 2.5425) but weaker at Y247.5 (Y247.75). On Bank of England figures, the dollar's exchange index fell to 143.1 from 143.3. Page 35

STERLING lost ground in London, losing 20 points to $1.191 and also falling to DM 3.6875 (DM 3.7075), FFr 11.3075 (FFr 11.3825), SwFr 3.0375 (SwFr 3.0575) and Y294.75 (Y296.25). Its exchange-rate index fell 0.1 to 74.1. Page 35



WORLD SUGAR values reached new 14-year lows, with the London daily raws price fixed $4 down at $100.50 a tonne, and futures prices also moving lower. Page 34

WALL STREET: The Dow Jones industrial average closed 0.88 up at 1,176.79.

LONDON blue chips advanced strongly. The FT Ordinary index rose 2.9 to 938.3, a record high. Section III

TOKYO shares firmed, taking the Nikkei-Dow market average 54.97 higher to 11,455.87. Section III

GOLD fell $6.25 on the London bullion market to $316.25. It also lost ground in Zurich to $315.00. In New York, the Comex December settlement was $315.40. Page 34

SOUTH AFRICA's leading commercial banks raised their prime rate from 23 to 24 per cent in response to tighter conditions on the money market. Page 3

SWITZERLAND'S economic growth is likely to slow next year but unemployment might fall and the country should have a substantial balance of payments surplus, the OECD said. Page 2

STANDARD ELEKTRIK LORENZ, ITT's West German subsidiary, expects turnover to rise by about 6 per cent to DM 4.5bn ($1.46bn) in 1984 as a fourth-quarter rise in orders offsets a flat performance earlier in the year.

JOHN DEERE, U.S. farm machinery manufacturer, was fined Ecu 2m ($1.5m) by the EEC Commission for blocking sales of its products between Community states. Page 14

MESA PARTNERS, the group led by Mr T. Boone Pickens, has filed a lawsuit in a federal court in Louisiana challenging a temporary restraining order preventing it from acquiring 10 per cent or more of Phillips Petroleum, the ninth biggest U.S. oil company.

We apologise for any typographical errors in this edition resulting from action by the National Graphical Association and Sogat members in the FT reading room in London. Unit trust prices are also incomplete today because of transmission difficulties in London.

WE REGRET American Stock Exchange closing prices were not available for this edition because of communications problems.

JMB RESCUE 'REVEALED WEAKNESSES'

Lawson orders full review of Britain's banking supervision

BY PETER RIDDELL AND DAVID LASCELLES IN LONDON

THE CURRENT system of banking supervision in Britain is to be fully re-examined by the Treasury and the Bank of England after the rescue of Johnson Matthey Bankers (JMB), 10 weeks ago, Mr Nigel Lawson, Chancellor of the Exchequer, announced yesterday in the House of Commons.

He indicated that the review might lead to changes in Britain's 1979 Banking Act since the JMB affair had provided "prima facie evidence of weaknesses in the way the banking supervisory system works in this country."

JMB had to be rescued at the end of September after it ran up huge losses, mainly on shipping loans. It was "nationalised" by the Bank of England, and is now underpinned by £150m of guarantees by London banks, to which the Bank itself contributed £75m. The exact extent of its losses is still being calculated, but they are believed to be around £250m ($300m).

During half an hour of questioning, Mr Lawson distanced himself from the central bank's actions over JMB. He repeatedly refused to say whether he agreed with the rescue, merely remarking that his approval had neither been sought nor requested by the Bank, in accordance with previous practice.

Mr Lawson also pointedly added that because the Bank of England had had to intervene in this case it did not follow that Mr Robin Leigh-Pemberton, the Governor, would do so in another specific case, were one to arise.

It has been known for some time that Mr Lawson was annoyed about the way in which the Bank handled the rescue and the new review is the main result.

Treasury criticism has been directed in part at Mr Christopher "Kit" McMahon, the Deputy Governor of the Bank, who masterminded the rescue. That has led to questioning of whether he should be reappointed when his present term expires next March.

It now looks likely, however, that Mrs Margaret Thatcher, the Prime Minister, will support Mr McMahon's reappointment for a further term because of his central role in running the bank, despite the political in-fighting over JMB.

There will be two aspects to the new reviews.

- A committee is to be set up under Mr Leigh-Pemberton, involving Treasury and Bank officials as well as a senior outside expert in commercial banking, to consider whether any early changes in supervisory procedures are needed.

That committee, which is expected to report as soon as possible next year, has been asked in particular to look at the relationship between auditors and supervisors; staff experience and training; the handling of concentrations of risk and the assessment of quality of assets; notification and collection of statistics; and the adequacy and deployment of staff resources in the banking supervision department of the Bank. It will also look at where any changes in supervisory arrangements may affect the 1979 Banking Act.

- An official group chaired by the Treasury will give detailed consid-

Continued on Page 14

Radical reform unlikely, Page 9; Editorial comment, Page 12

EEC deadlock leads to suspension of steel aid

BY QUENTIN PEEL IN BRUSSELS

OPERATING subsidies for EEC steel producers will have to cease on December 31 at least temporarily, after industry ministers failed yesterday to agree on an extension of the deadline.

The move was blocked by five member-states because they oppose a parallel proposal to increase the actual amount of subsidies payable in the course of 1985 unless further steel production cuts are imposed on the companies involved.

All Ten are, however, agreed on maintaining the present deadline to end operating and general subsidies to the EEC steel industry by the end of 1985, according to Mr Frans Andriessen, the European Commissioner for competition.

The Commission had proposed extending operating aids for the steel industry beyond the immediate deadline of the end of 1984, and lifting the present ceiling on subsidies payable in 1985, because of the continuing financial difficulties in a number of leading steel companies.

They include operators such as Sacilor and Usinor in France, Finsider in Italy, the British Steel Corporation, Cockerill Sambre in Belgium and Arbed Saarstahl in West Germany.

West Germany and the Netherlands have led the opposition to any increase in overall subsidies without corresponding further cuts in production. Yesterday they were backed by Britain, Denmark and Greece. They argue that those member-states wanting increased subsidies – principally France and Italy – have been too slow to push through the restructuring of their industries.

Although there was less opposition to an extension of the present deadline for operating subsidies, both the Commission and several member-states argue that the two proposals are inseparable.

The suspension of operating subsidies from the end of this year is unlikely to cause steel companies immediate difficulties, provided they are reinstituted from January 22, when the industry ministers are next due to meet. Commission officials believe that a simple qualified majority should be adequate to gain their approval on that occasion, now that the decision has been considered for the first time.

West Germany and Britain, however, argue that any change in the subsidy regime requires unanimity.

Continued on Page 14

Britain may turn down $30bn Sleipner gas deal with Norway

BY DOMINIC LAWSON IN LONDON

BRITISH and Norwegian energy ministers plan to meet in London tomorrow amid clear signs that the UK Department of Energy is bracing itself to reject a $30bn deal to buy gas from Norway's Sleipner field.

The British Gas Corporation has persistently argued that the deal – which would be the biggest single trade deal in UK history – is necessary if the corporation is to meet a shortfall between UK gas demand and supplies in the 1990s.

However, since British Gas originally agreed its $30bn purchase from Statoil of Norway in February, some recent developments have caused an initially sympathetic Department of Energy to lose enthusiasm for the deal.

The Sleipner purchase is dollar-denominated, and therefore now appears much more expensive than first thought. When the deal was agreed it was worth about £20bn ($23.8bn), but the sustained appreciation of the dollar against sterling means that the gas, at current rates, would cost an extra £5bn. The original Sleipner sterling price was about 27p a therm, compared with the 23p to 24p currently being agreed for UK North Sea gas supplies. The Sleipner sterling price is now about 34p a therm.

British Petroleum has brought up new evidence in its campaign to persuade the Government that there is enough gas in the UK sector of the North Sea, which can be developed fast enough to rule out the need to import Sleipner gas.

In March BP announced development plans for four gas fields in the Southern Basin of the North Sea which could supply up to 400m cu ft of gas a day, compared with the 1060m cu ft that Sleipner will supply each day.

However, BP is now offering significantly larger amounts of gas to British Gas, although refusing to divulge the source of this new gas. It appears that the main source is a discovery by BP in block 22/24A in the Central North Sea.

Hitherto gas finds in that area have been too small to justify the dedicated pipeline that would be required to pipe the gas ashore. However, the find by BP appears to break that barrier, with the possibility that the other smaller gas finds in that general area could be tied into a pipeline from the 22/24A field.

British Gas's position is that Sleipner is needed even assuming an average rate of success of gas discoveries in UK waters, and the corporation is clearly angered thet the deal might be aborted because of last-minute claims about unappraised gas discoveries.

The Department of Energy had recognised that the Sleipner deal might prejudice the development of UK gas fields, and so was prepared to consider the idea of controlled direct exports from such fields to continental Europe, as *quid pro quo* for Sleipner imports. It now appears, however, that the Treaty of Rome makes any controls over exports very difficult to enforce legally, once a general decision to export has been taken.

British Gas and Statoil have effectively agreed a commercial deal, but the two governments are still divided over several issues.

BNOC losses, Page 14

Current deficit in U.S. may hit $100bn

By Stewart Fleming in Washington

THE U.S. current-account deficit surged to a record $32.9bn in the third quarter, largely under the influence of a serious deterioration in the trade balance of payments, the Commerce Department reported yesterday.

For the whole of 1983 the current-account deficit, which covers international service as well as trade transactions, was $41.6bn. It seems headed for $100bn this year. In the first three quarters of 1984, the U.S. has run up a current-account deficit of $77.2bn.

With little prospect in the short term of a genuine improvement, more and more economists are pointing to the implications of depending on foreign capital to finance the deficit. They say the U.S. might be condemned to an indefinite period of high real interest rates, leaving the dollar vulnerable to any swings in confidence.

Mr Malcolm Baldrige, Commerce Secretary, blamed the strong dollar for the country's poor trade performance and said the budget deficit must be reduced before the dollar would come down.

The rise in the current-account deficit from the $24.7bn reported in the second quarter was largely accounted for by an $8.2bn surge in imports in a period when exports rose by only $900m.

There has also been a striking deterioration in the traditional U.S. surplus on services transactions.

In the third quarter, the net services surplus reached a new nine-year low of $3.1bn, slightly down from $3.3bn in the second quarter. One of the factors behind the decline was the rising cost of overseas borrowing. In 1983 the U.S. ran a surplus on its services account of $28.1bn. So far this year the surplus is only $14.6bn.

The third-quarter current-account deficit was financed in part by a huge $38bn swing in banking flows as U.S. banks cut their loans to foreigners by $18bn compared with an increase of $20bn.

The rapid deterioration in the trade balance has been a significant factor contributing to the slowdown in the U.S. economy since mid-year. Manufacturing industry in particular has been hard hit by mounting foreign competition across a broadening range of products and the Reagan Administration has yet to develop a strategy for tackling an issue that might have damaging political repercussions.

Trade experts in Washington are already speculating that pressure will mount for sweeping action to curb imports

MANUFACTURERS HANOVER REACTS

U.S. bank cuts prime rate by ½ point

BY PAUL TAYLOR IN NEW YORK AND STEWART FLEMING IN WASHINGTON

MANUFACTURERS HANOVER, the fourth largest U.S. banking group, yesterday cut its prime lending rate by half a percentage point to 10.75 per cent as other U.S. short-term interest rates fell.

The sharp decline in short-term rates came as the Federal Reserve board's policy-making Federal Open Market Committee was meeting amid growing speculation on Wall Street of a further cut in the discount rate from the 8.5 per cent level set last month.

The prime-rate cut was the eighth reduction in the benchmark bank corporate lending rate since August when it stood at 13 per cent.

Wall Street economists generally viewed the prime rate reduction, and an earlier cut by Bankers Trust in its broker loan rate to 9.25 per cent from 9.5 per cent, as reflecting the further recent sharp decline in bank funding costs.

Bank Certificate of Deposit interest rates fell by between 5 and 15 basis points yesterday as the key Fed funds rate dropped by half a percentage point to trade around 7.75 per cent throughout most of the day before closing at 7⅞ per cent.

Analysts noted that the lower funds rate came without any Fed open market intervention.

Short-term treasury bill rates were also marked sharply lower with the three-month rate declining by almost 20 basis points to 7.95 per cent.

Mr Brian Fabbri of Salomon Brothers said: "The whole of the yield curve now assumes a discount-rate cut. The market has made up its mind."

However, some economists still cautioned last night that a further discount-rate cut might be delayed until the new year.

In the U.S. credit markets, bond prices soared, reflecting the increasingly bullish tone of trading. The treasury long bond closed almost 1¼ points higher at 102[illegible] to yield 11.48 per cent compared with 11.59 per cent at the Friday close.

Wall Street equity prices also turned round sharply in the final minutes of trading after the prime rate cut. The upturn wiped out earlier losses and the Dow Jones industrial average closed 0.88 points higher at 1,176.79 with almost 90m shares changing hands.

Recent data have suggested that economic growth may be reviving after the summer pause.

Gorbachev warns on space weapons

BY DAVID BUCHAN IN LONDON

MR Mikhail Gorbachev, the presumed number two in the Soviet Politburo, yesterday warned the West that unless it agreed to ban space weapons, "it would be unreal to hope to stop the nuclear arms race."

Speaking at a lunch hosted by Sir Geoffrey Howe, the British Foreign Secretary, Mr Gorbachev returned to the theme that had dominated 2½ hours of morning discussion with Sir Geoffrey and made clear that space weaponry would be top priority for the Kremlin in next month's negotiations with the U.S. in Geneva.

During his talks with Sir Geoffrey, Mr Gorbachev "homed in on space" as the arms control issue of most concern to the Soviet leadership, according to British officials.

There was no overt Soviet suggestion, however, that Prime Minister Mrs Margaret Thatcher and the Foreign Secretary should try to influence the U.S. position on space weapons when they go to Washington at the end of this week.

Mr Gorbachev made clear that the Soviet Union saw itself going into new talks with the U.S., leaving behind the format of the Intermediate Nuclear Forces (INF) and Strategic Arms Reduction Talks (Start), which the Soviets walked out of last year.

Instead they want the talks to encompass all kinds of nuclear missiles and space weapons.

In that context, Mr Gorbachev repeated the Soviet claim that British and French nuclear missiles should be counted in with U.S. missiles in any agreement.

Sir Geoffrey countered with the standard British Government argument that, until the superpowers

Continued on Page 14

CONTENTS

Rescheduling of $3bn of Poland's debt runs into problems

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

POLAND FACES a slow timetable in re-ordering its external finances, with further delay this week in rescheduling its official debt and the likelihood of not being able to borrow from the International Monetary Fund until 1986, according to Western government and IMF officials.

This is despite the news, announced efficiently in Washington last night, that the Reagan Administration has dropped its political objection to Poland's IMF membership application of three years ago.

Western governments had hoped to initial an agreement this week in Paris rescheduling the $3bn they are owed in accumulated principal and interest by Poland. This might have paved the way for early rescheduling of some of Poland's future official debt, as Western banks have done for what Poland owes them in 1984-87.

But last Friday, Poland requested that the Paris meeting be postponed until next month, citing technical problems on its side.

The Polish postponement came only a day after the Warsaw authorities were informed that the U.S. had dropped its long-standing veto on Polish membership of the IMF. The two events appear not to be linked, since being in the fund should make it easier for Poland to negotiate debt relief with its Western creditors.

The processing of Poland's IMF application may take three-six months, IMF officials said yesterday, while Fund staff return to Warsaw to complete their assessment — interrupted by martial law in December, 1981 — of the Polish economy, and the Fund's executive board then calculate the size of Poland's quota.

...Solidarity's leader, Mr Lech Walesa, yesterday denounced the police for behaving "like animals" during an hour-long clash between thousands of demonstrators and riot police following a Sunday Mass in the Baltic port of Gdansk, *AP reports*. "*I wonder how it is possible to turn a man into such a beast*," he said in a telephone interview.

Helmeted riot police used truncheons, tear gas and water cannon to disperse more than 2,000 people as Mr Walesa led them in a march from St Brigyda's Church toward a monument to dead workers outside the gate of the Lenin shipyard about 500 yards away. Several demonstrators were beaten by police and detained.

Christopher Bobinski writes from Warsaw: In an important shift in its wages policy, the Polish Government has conceded that talks with the printers union on a new collective wage agreement will start early next month.

Until now, it has been telling the unions set up to replace solidarity two years ago that talks on wages and conditions can start only towards the end of 1985.

The concession to the printers union, which claims 40 per cent of the industry as members, was negotiated in meetings stretching back to September and opens the way for similar talks with other new unions, like the

The printers had hinted that they would ban overtime to get negotiations started on the framework agreement, which will settle a guaranteed minimum wage as well as working conditions.

The Government is struggling to contain wages' growth which will reach 20 per cent this year. This is 6 per cent more than planned and 3 per cent more than projected for 1985.

In the talks, which the printers estimate should last about three months, the union wants to establish a Zl 14,000 (£89) minimum monthly wage in the industry.

The collective wage agreement would provide a framework for decentralised plant-by-plant bargaining on wage and productivity schemes, but, by setting their minimum wage demand so high, the union is in effect opting for similar wage conditions throughout the industry.

Genscher seeks to revive Ostpolitik

By Leslie Colitt in Berlin

WEST GERMANY'S Foreign Minister, Herr Hans Dietrich Genscher, begins a two-day visit to Czechoslovakia today in a bid to revive his government's Ostpolitik.

Herr Genscher cancelled a visit to Warsaw last month at the last moment after Bonn said the Polish authorities had raised unacceptable obstacles. In September, the East German and Bulgarian leaders cancelled trips to West under pressure from Moscow signalling its displeasure at Bonn permitting U.S. medium range missiles on its territory.

Although Czechoslovakia, has campaigned actively against revanchism in West Germany, Herr Genscher has managed to keep up a steady dialogue with its leaders. In his talks with President Gustav Husak, Mr Lubomir Strougal, the Prime Minister, and Mr Bohuslav Chnoupek, the Foreign Minister, he will discuss the role the Europeans can play in the current phase of exploratory arms control talks, between Moscow and Washington.

Other issues will include the environment and economic relations. West Germany claims air pollution from Czechoslovak power stations and factories near the border is destroying forests in neighbouring Bavaria. Bilateral trade reached DM 4.2bn (£1.3bn) last year and has survived all political ups and downs.

Herr Genscher's visit coincides with a hunger strike by some 40 East Germans inside the West German embassy in Prague. They are among 70 East Germans who have camped in the Embassy since September in a bid to get to the West. Czechoslovakia *regards the embassy incident* as solely involving the two German states.

In a private ceremony, the Foreign Minister plans to place a wreath at the grave of a Wehrmacht soldier. The Polish authorities had refused to allow a similar gesture, saying *that emotions* in Poland would not permit it.

Herr Genscher will fly to Prague in a small executive aircraft with no room for the usual contingent of reporters. One of the reasons Bonn gave for the cancelled visit to Warsaw was that an ultra-conservative West German newsman, scheduled to accompany the minister in his aircraft was refused a Polish visa.

United front against EEC milk levy starts to crack

BY IVO DAWNAY IN BRUSSELS

EEC MEMBER states were in disarray yesterday over payments of the "super levy" on surplus milk production formally required to be made last weekend.

Last week, it was believed that all the Community countries liable to raise the levy from dairy farmers would refuse to implement the rules on the grounds that France and Belgium had indicated they were unable to meet the deadline.

It now seems that West Germany has complied with the regulations, forcing a re-think in several member states. Ireland is now understood to be raising the levy, though far less production than the Commission is demanding. Britain and the Netherlands are both believed to be reconsidering their positions.

The turnabout comes in the face of Commission warnings that all EEC advanced payments to support dairy farmers would be stopped from January for those states failing to enforce the rules. The break in the united front of opposition suggests that the market managers' bluff may not be called, thus vindicating the Commission's tough stand.

Although any payments now raised will inevitably be late, the Commission is likely to turn a blind eye, relieved that they are being made at all. But it will peruse with care how much cash has been collected and check that this has come from the farmers themselves and not from national treasuries.

With Italy, Greece and Denmark all excluded from the current round of levies, close attention will be paid to the decisions of the French and Belgians. Countries that comply with the regulations will be determined that no special exemptions are given to those defying the rules.

The Commission also acted yesterday against the growing wine surplus by ordering, for the first time ever, compulsory distillation into alcohol of some 6m hectolitres. This total will be divided among producer states, with farmers receiving just 60 per cent of the target price fixed yearly for wine.

Amex defends its charges

BY KEVIN DONE IN STOCKHOLM

AMERICAN EXPRESS, which faces court action from more than 500 Swedish hotels and restaurants to force it to lower its commission charges, says it has contacted all the establishments and none wishes to terminate its contract immediately.

The Swedish Hotel and Restaurant Association has gathered proxies from more than 500 members to cancel their American Express contracts next March/April if it fails to make progress with Amex over lower charges.

Amex claims that its credit card service charges cannot be compared directly with those of other companies; it offered a different product and represents a different sort of customer, it says. Bills are settled more quickly and Amex customers generally spend 40 per cent more than other card-holders. More than 100 new hotels and restaurants have taken its service in Sweden since October.

Ex-partners in SMH taken into custody

By John Davies in Frankfurt

COUNT Ferdinand von Galen and two other former partners of Schroder Münchmeyer Hengst (SMH), the West German bank rescued from collapse just over a year ago, were taken into custody for questioning on Sunday, the Frankfurt state prosecutor's office said yesterday.

Count von Galen, Herr Hans Lampert and Herr Wolfgang Stryj were detained pending investigation of matters concerning SMH, the prosecutor's office said. These matters included the granting of loans by SMH to IBH, the construction equipment group and to Wibau, a company associated with IBH.

The Count, who has been in the U.S., was detained soon after he returned to Frankfurt to attend a hearing, the prosecutor's office said.

SMH was rescued by other West German banks in an action co-ordinated by the country's banking supervisory authorities in November last year.

On January 28, Lloyds Bank of the UK took over some of SMH's operations, along with the name, but excluding business involving IBH and some other areas of business, including fur trade activities.

A 1986 election win still rests largely on President Mitterrand, reports **David Housego**

French Socialists try to beat defeatism

THERE ARE still some people in France who believe that the Left is not condemned to defeat in the 1986 Parliamentary elections. But they were not much in evidence at the Socialist Party's convention at Evry outside Paris over the weekend.

Party leaders trooped to the platform one after the other to warn the rank and file against "defeatism" and "abandoning the struggle." M Laurent Fabius, the Prime Minister told them that it was "urgent that the Left stopped proclaiming that it is certain to be beaten." M Lionel Jospin, the First Secretary, went even further in saying that if there is "no change in the present line up of forces between Left and Right before 1986, we will lose the elections."

The warnings was a sign of the demoralisation within the party which the brave accompanying calls to mobilisation did not altogether conceal. It was probably no coincidence that President Francois Mitterrand chose Sunday night to make his television broadcast on foreign affairs, thus pushing the Socialists off the front page of yesterday's newspapers and eclipsing them on the screen.

The Socialists had hoped in July that the change of government, the departure of the Communists and the bringing in of a young Turk in M Fabius as Prime Minister would change their fortunes. The European elections the month before had shown that for a governing party they were in the precarious position of commanding only 22 per cent of the popular vote.

But since then President Mitterrand has continued to slip downwards in the public opinion polls, touching new lows under the Fifth Republic in winning approval from only 26 to 28 per cent of those polled. M. Fabius, kicked off on a wave of popularity with over 50 per cent expressing satisfaction, but is now joining M Mitterrand in the lower depths. The Socialists are privately asking themselves whether there has not been a fundamental shattering of their image that cannot be repaired before 1986.

The *party has now resigned* itself to an economic policy that squeezes household demand in favour of company profits and of an *industrial restructuring* plan that is costly in terms of the loss of jobs. There was no organisers to give the company harking back at the convention to the protectionism of yesteryears. Even M Jean-Pierre Chevenement, Minister of Education, effectively abandoned his long-standing advocacy of a reflationary package accompanied by pulling France out of the European Monetary System.

But the Socialists also knew that the clothes they now wear are not those in which they came to power. They feel uncomfortable in them and they provide no image with which to rally the rank and file. The Socialists also know that the consequent sharp rise in unemployment is highly damaging to them electorally, and as M Michel Rocard, the Minister of Agriculture, warned, is also behind many of the other evils of racial tension and juvenile delinquency for which they are being blamed.

In the face of the Left's uncertain horizons, the various fections are now making their dispositions for the future. The Communists were the first to mop the course in deciding to abandon the boat last July.

M Rocard, a popular Socialist leader who has been squeezed from real influence in the Government, served notice over the weekend that he was ready to pick up the pieces should the Left be routed in 1986. His criticism of Government economic policy was damaging to party unity but frees him from responsibility for it.

M Rocard's gamble now is that in the event of the Left being defeated and M Mitterrand stepping down, he would be the Left's most popular candidate in a Presidential race against the Opposition's two front runners, M Raymond Barre and M James Chirac. Thus, if he were to announce his candidature, the Socialists would have little choice but to accept it and rally to him.

Others in the party seemed also at the weekend to be making a bid for the succession. M Fabius looked like having the endorsement of M Jospin, for instance. M Jacques Delors, the designated President of the EEC Commission, was not present at Evry, but spoke on the radio in favour of a coalition programme that could unite 70 per cent of the voters. He is by no means out of the race.

OPPOSITION leaders yesterday turned down the challenge by M Laurent Fabius, the Prime Minister, to a televised debate about policies and performance in office, writes Paul Betts.

M Raymond Barre said the French "had no need of theatre shows, televised or not, but of a government which ruled firmly and coherently." He added that he would be prepared for a public debate nearer the 1986 election.

M Jacques Chirac, also challenged by the Prime Minister to a debate on policies, said the moment for it would be closer to the date of the "decisive" elections.

Recard . . . most popular

The Socialists know that between now and 1986 they have little chance of substantially altering France's economic landscape. The Government's electoral assets are a falling inflation rate and an improving balance of payments. It has an agonising decision to make over whether to try to ride out the three years from March 1983 to March 1986 without a devaluation of the franc—with the risk that pressure on the franc could build up in the months before the election.

It is plotting to provide a pre-electoral boost to personal incomes which also complicates its calculations on the parity of the franc.

It hopes to bring down unemployment through a variety of measures from enhanced training programmes to work-sharing so as to try to prove that industrial restructuring under the Left is less painful than with the Right in power.

President Mitterrand has not yet shot all his bolts. He can boost the Left's electoral chances by a switch to proportional representation. A further Cabinet reshuffle is by no means excluded. But he also knows that for the Left to achieve an honourable score in 1986, he must make a comeback in popularity himself. Hence his broadcast on Sunday which is to be followed in early January by a further one on domestic affairs and the economy.

An important element still running in the Left's favour is the apprehension of a great many voters at the return of a triumphant Right to power with links to the extremist National Front and a determination to pursue free market economics. The party's convention made clear that it is a spectre that the Left will play for all its worth throughout the election campaign.

Employers and unions agree more flexible labour rules

BY PAUL BETTS IN PARIS

FRENCH EMPLOYERS and the main trade unions, with the inevitable exception of the pro-Communist CGT confederation, have agreed for the first time to adopt a more flexible approach to labour regulations and industrial relations.

If approved by the unions' rank and file, the agreement will enable employers to *lay off* workers more quickly than in the past. It introduces a consultative process between employers, unions and workers on the impact of technological changes. The unions have also agreed to the idea of treating the reduction in working hours on an annual basis in return for the acceptance by employers of the general principle of cutting work time.

Employers have also won concessions from the unions to employ more widely than in the past people, especially unemployed *workers, for only a fixed* limit of time. Under these so-called fixed period contracts, employers could employ a worker for 12 months with the possibility of a six month extension.

But the Patronat, the employers' organisation, has dropped its demand for the abolition of the system whereby all lay-offs must be approved by the French public administration. The Patronat has only maintained a general reference to its position on this issue in an annex to the draft agreement. *The unions* had *warned from* the outset that they would never accept abolition of the system.

Leaders of four of the principal unions have signed the draft agreement after nearly eight months of negotiation.

Membership of the unions—which include the pro-Socialist CFDT, the reformist FO, the white colour CGC union, and the Christian CFTC movement—are due to ratify the agreement by December 27.

The CGT had from the beginning indicated it would not sign any agreement on labour flexibility. Indeed, in the final round of negotiations, it hardened its opposition to the proposals. This reflects the general toughening of its approach to labour relations following the departure of the Communists from government last summer.

Despite CGT's opposition, the agreement is nevertheless regarded as an important breakthrough in French labour relations.

The latest unemployment figures show that the number of people looking for work continued to increase in France last month from 2,515,000 at the end of October to 2,524,900 at the end of November.

Protests again halt Austrian hydro project

BY PATRICK BLUM IN VIENNA

THOUSANDS of demonstrators kept up the pressure on the Austrian Government yesterday by preventing work for the second week running on the controversial hydro-electric power plant at Hainburg.

The site for the plant near the Czechoslovakian border is in a prized conservation area and has drawn strong opposition from environmentalists.

Faced with several thousand demonstrators, several hundred of whom have set up camps in and around the site, the authorities decided yesterday to halt attempts to resume clearing work. Despite a firm statement by Chancellor Fred Sinowatz that work would start again on Monday, following abortive talks with some of the protest leaders last week, the Government has again been forced on to the defensive.

Government warnings that the demonstrations were illegal and for Austria, an unusual show of police strength appear to have had no effect. The protestors have become more determined and their number has grown. In unusual scenes of confrontation between police and demonstrators several people have been hurt and the Government seems at a loss what to do next.

The conflict is embarrassing for the Government, pitting it against "green" supporters which include a considerable number of Socialists and devout Christians. It is straining relations between Cabinet ministers and within the ruling Socialist Party.

Herr Karl Blecha, the Interior Minister, and generally regarded as a left-winger, is insisting that the law be obeyed, and he has ordered some 500 police from Vienna and the provinces to ensure that work begins. He has accused some of the demonstrators of ecological fascism and suggested that foreign political activists are involved.

In contrast, Herr Harald Ofner, the Justice Minister, and a member of the small right-wing Freedom Party, which is in the government coalition, said on Sunday that foreigners played no role in the conflict and he has opposed the large-scale use of police at Hainburg.

Herr Gunther Nenning, a Socialist and devout Roman Catholic, and one of the protestors' most prominent spokesmen, has attacked the Government for ignoring popular opposition to the plant. He described the issue as a test of Austrian democracy and constitutional freedom.

The conflict is increasingly taking on the appearance of a religious war, with each side convinced of the moral righteousness of its cause. In a country famed for its social peace, it is becoming a focal point for discontent especially among the young.

Greece will alter policy on defence

By Andriana Ierodiaconou in Athens

GREECE WILL adopt a new defence policy officially in January.

This reflects the Government's conviction that the main military danger is Turkey to the east rather than, as Nato doctrine holds, the Warsaw Pact countries to the north, says Mr Andreas Papandreou, the Prime Minister.

Despite the political shock value of the Prime Minister's announcement, made in a weekend speech to Socialist Party activists, military analysts expect no dramatic changes in the deployment of Greece's approximately 120,000-strong armed forces.

Long before the Socialists came to power in 1981, it had been standard practice to concentrate military defences on the border with Turkey in eastern Thrace and the Greek islands in the eastern Aegean, close to the Turkish coast.

The Greeks are still highly sensitive to the memory of their bloody defeat by Turkey in Asia Minor in 1922. Both countries *joined* Nato *after the Second* World War, but this did not prevent them coming to the brink of war in 1974, when Turkey invaded Cyprus after the Athens junta had masterminded a military coup on the island.

Accordingly, the Prime Minister's weekend remarks were taken to be politically, rather than militarily, motivated. One interpretation is that he may be seeking to neutralise criticism of the Government, in anticipation of a compromise settlement in Cyprus. The Socialists have always opposed giving way in Cyprus and in a range of spin-off territorial disputes in the Aegean.

The impression in Athens and Nicosia is that a real chance for a Cyprus settlement has emerged following three months of intensive United Nations-sponsored negotiations between the Greek and Turkish Cypriots. This optimism rests on Turkish-Cypriot concessions on the sharing of territory and constitutional power, reportedly prompted in part by the personal intervention of President Ronald Reagan.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Mintoff wants new Soviet pact

BY GODFREY GRIMA IN VALLETTA

Mintoff: meeting in Moscow with Chernenko

MALTA'S Prime Minister, Mr Dom Mintoff, will press for a new pact with the Soviet Union when he meets President Konstantin Chernenko today in Moscow.

His proposals, which have not been disclosed, were delivered to the Soviet ambassador a few days ago. They are believed to be aimed at improving *existing* defence, economic and trade ties.

In 1981, the Soviet Union promised to guarantee Malta's neutral status and to help the island resolve some of its economic problems. A three-year countertrade accord, covering the exchange of $265m-worth of goods, including the building of eight cargo ships by Malta, was signed last year. Mr Mintoff is expected to finalise the shipbuilding deal during his three-day stay in Moscow.

He is accompanied by his Finance and Foreign Ministers and a team of advisers.

Mr Mintoff's political discussions with Mr Chernenko are expected to include Malta's suggestion for the Mediterranean to be turned into a nuclear-free zone.

Relations with Moscow have been steadily improving for three years. Trade has increased substantially and the Soviet Union has been making increased use of the island's shipbuilding facilities. A bunkering agreement renewed last year allows some 200 Soviet merchantmen a year to pick up fuel from the former Nato depots at Hassaptan on the south coast.

Last week, the Soviet Union also agreed to help clear Grand Harbour of British wartime shipwrecks and unexploded *bombs. A Soviet survey ship* and a three-man team of experts have already arrived in Malta to identify wreckage on the seabed which is hindering the construction of deep water quays.

Relations with Italy and Britain, by contrast, are strained.

OECD calls for flexibility in Swiss monetary policy

BY DAVID MARSH IN PARIS

tinue to enjoy fairly buoyant economic growth next year coupled with *low inflation* and a large current account surplus, according to the Organisation for Economic Co-operation and Development. But the Swiss authorities have been warned in the OECD's annual report on the Swiss economy, published yesterday, to show "flexibility" in applying monetary policies next year to avoid inhibiting recovery from the recession.

The OECD secretariat praises the federal government for adopting more expansionist fiscal policies after the 1982 downturn to speed up the economy in 1983-84. Recovery has been aided by Switzerland's traditional "extremely flexible" labour markets mechanisms, which ensured that wage increases have been moderate and in line with productivity.

It welcomes the investment-led nature of the present upturn, in contrast with *recoveries in previous cycles* which have mostly been based on export growth.

Although the current account surplus continues large as a result of invisibles, imports have been growing this year almost twice as fast as exports. "This is a welcome development since the upturn in the Swiss economy contributed to boost activity in the OECD area as a whole."

The report comes out in praise of Switzerland's programme of promoting structural adjustment in key industries. Know as the "impulse" programmes, these schemes, though relatively limited in scope, represent "an example of what can be done" at little cost to the Government, in helping to adapt industries to innovation in high technology areas

On monetary policy, the OECD notes that this year's 3 per cent target *for the* growth of the monetary base is designed to fit in with a medium-term objective of bringing down this rate to between 2 and 2½ per cent. In fact, nominal GNP growth this year, because of the faster-than-expected recovery, will be closer to 5 to 6 per cent than the 4 per *cent* growth implied in this year's target, which could give rise, the OEC Dsuggests, to a clash between monetary policy and the recovery.

The report points out that if nominal GNP growth exceeds monetary base growth by several *percentage* points, then "some interest rate rise may be necessary to balance monetary supply and money demand."
supply and money demand." As a result, the OECD warns: "If the target rate of growth of the monetary base remains 3 per cent or less in 1985, monetary policy might act as a moderating influence on economic activity." Since the report was completed a target of 3 per cent monetary growth in 1985 has, in fact, been announced by the Swiss National Bank.

The OECD forecasts that gross domestic product will rise by 2.2 per cent in *real terms* next year, slightly below the 2.6 per cent of this year but well up from 0.7 per cent in 1983.

Inflation as measured by the consumer price index is expected to be 2.5 per cent next year against 2.8 per cent in 1984 *and* 3 per cent *last* year. Next year's growth is expected to be driven above all by domestic factors, with total domestic demand increasing by 2.6 per cent next year against 3 per cent in 1984.

Despite another deterioration in the trade balance, resulting from adverse *movements* of trade volumes and the terms of trade, the current account surplus next year is expected to be around SwFr 8bn (£2.8bn). This will reflect the continued increase of the invisibles surplus, above all from return on capital invested *abroad*.

Although the OECD notes the difficulty of analysing Swiss capital flows because of the absence of data, it says that capital outflows last year were almost equal to the current account surplus. This was put at SwFr 3.5bn for 1983, and *about SwFr 2bn for the first* half of 1984. The trade account has been in deficit in recent years, but has been more than offset by invisibles, with the surplus on investment income alone in 1983 totalling $6bn.

Israel seeking extra $2bn from the U.S.

BY DAVID LENNON IN TEL AVIV

A TEAM of senior Israeli Treasury officials flew to Washington yesterday in search of up to $2bn (£1.6bn) in supplementary aid to help Israel out of its severe economic crisis.

The most pressing problem is the rapid erosion of the foreign currency reserves, currently standing at $2.8bn. Officials admit the reserves could be exhausted within seven months if the depletion continues at the current rate.

In 1983, Israel exported goods and services worth some ... and imported goods and services of some $16.3bn in value. This left a deficit of $5.3bn.

From this deficit can be deducted the military imports of $1bn which are financed by U.S. military aid. From the $3.9bn which remains another $1.2bn in U.S. economic aid can be deducted.

Donations from world Jewry, German reparation payments and other unilateral transfers amount to another $700m. This leaves the country still short of $2bn.

The main way this has been financed in recent years has been by a drastic reduction in the foreign currency reserves. In addition, Israel has substantially increased its short-term borrowing from banks abroad.

This erosion of the foreign currency reserves must, however, be halted soon before reserves are exhausted.

The Government has taken a number of steps in response to this dangerous situation. It limited imports, banning altogether the import of luxury items earlier this autumn.

Together, these steps are expected to save $1bn in imports. But there still remains $1bn to be financed.

For this, Israel has to turn to the international banking community, and here the current state of the Israeli economy makes it more difficult for Israel to raise the necessary money in the international financial markets.

The other possible course is an appeal to Washington. Israel has already received in full the grant of $1.2bn in economic aid for 1985, but this will be spent within three months as the Government seeks to bridge the balance of payments gap.

Dr Emmanuel Sharon, Director-General of the Finance Ministry, is heading the delegation to Washington. The delegation is to attend the newly-created Israel-U.S. Economic Development Group which is supposed to study ways of improving the Israeli economy through investment and other projects.

Main parties in bid to head off coalition crisis

BY OUR TEL AVIV CORRESPONDENT

THE LEADERS of Israel's two main parties were making strenuouse efforts yesterday to heod off a mojor coalition crisis which could develop if the ultra-religious Shas Party, a junior coalition partner, carries out its threat to resign today.

The Sepbardi Tora Guardians (Shas) party is due to leove the coalition this morning, unless its demands over Cabinet portfolios is met by Mr Shimon Peres, the Prime Minister.

Shos is a part of the Likud-led right-wing bloc in the coalition which shares power with the Centre-Left Labour bloc.

If the efforts to persuade Shas leaders to change their minds fails, the Likud bloc may resign and thus bring down the National Unity Government set up three months ago. Its resignation is not certain as the Likud is split on this issue.

Mr Yitzhak Shamir, the Likud leader and Finance Minister, who returned home yesterday to deal with the crisis, said that the defections of Sbas would threaten the unity of the Government.

However, it is believed that he is among those who oppose a Likud walkout in the wake of a Shas resignation.

Cargo vessel hit in Gulf

BY OUR MIDDLE EAST STAFF

A GREEK cargo vessel was attacked and slightly damaged in the Gulf yesterday. A military spokesman in Baghdad said Iraqi aircraft had bit a "large naval target."

The 12,500 dwt Aegis Cosmic reported after the attack thot one of its cargo holds had been damaged but it had not suffered and casualties

The ship's position was reported to be 85 miles north of Bahrain. The attack was the third carried out by Iraqi aircraft on consecutive days, as part of Iraq's campaign to deter shipping from loading at Iran's main oil export terminal at Kharg Island.

The Bhopal tragedy has concentrated Indian minds, reports **John Elliott**

Industrial safety now a major issue

THE TRAGEDY of Bhopal, where a gas leak at a Union Carbide plant killed more than 2,000 people two weeks ago, has made the Indian Government realise for the first time it cannot take industrial safety for granted.

Respect for life in India is much lower than in Europe or the U.S. News of a two hundred accidental deaths in a country of over 700m people stirs fewer emotions. But the scale of the Bhopal disaster, and the subsequent panic it caused has led the Government to launch a major review of restrictions throughout the chemical industry, not just pesticides plants.

"Till now the Government has taken for granted that big companies would toke the necessary safety precautions, so inspections have not been done properly. Now all the regulotions must he properly enforced with detailed inspections," said one leading scientist involved in industrial research.

A senior executive in o multi-notiooal company added: "Things have been lax—there is no doubt about it. There is room for improvement in the handling of hazadous materials ond the enforcement of environmental policies."

The government clampdown will not emerge in detail until after the country's general election next week, by which time an official report on the tragedy should he complete.

But it is clear that the changes will offect the operations of large companies and the practical and legal aspects of technical and managerial agreements with their foreign beod offices.

Siting of plants using dangerous materials is likely to be more strictly controlled. Many potentially lelhol plants are sited in built-up areas and beside crowded roads, especially oround Bombay, India's main commercial centre.

Drive to neutralise lethal gas goes on

MORE THAN half of the remaining 15 tonnes of lethal gas stored at Union Carbide's Bhopal plant after the leak which killed more than 2,000 people had been neutralised by dusk yesterday, Reuter reports from this central Indian city.

Mr Arjun Singh, Chief Minister of Madhye Pradesh State, said that eight tonnes of the remaining methyl isocyanate had been converted into ordinary pesticide since Sunday.

"If neutralisation continues at the same rate, the operation should be completed in another two days."

Tiny businesses which handle dangerous chemical materials such as pesticides or dyestuffs with few or no safety precautions for employees will be reviewed. Large and potentially more responsible companies may be encouraged to enter these sectors, which at present are partially reserved for small businesses.

Although most accusations over the Bhopal tragedy have so far been directed at Union Carbide and its American parent, it is widely recognised that both the central Indian Government and the local state government in Madhya Pradesh had a role in devising and applying safety and environmental controls. Little is being said publicly about this during the general election campaign, however, and Opposition parties have not launched a major attack.

During the past week the Ministry of Industry has strengthened some of its control procedures and the Ministry of Labour is considering setting up special technical inspection teams linked to the Government's Toxicology Research Centre in Lucknow, Uttar Pradesh. All pesticide factories are now being visited by state government inspectors and some have been temporarily shut down.

India's pesticides industry is the second largest in Asia after Japan. There are 50 factories producing technical grade pesticides—a key intermediate stage of manufacture. Over 500 officially registered units and many more unregistered small-scale units turn these technical grades into the finished product, called formulations.

Technical grade manufacturers have to offer at least half their output to small companies for turning into formulations as part of the Government's policy of encouraging small businesses, and it is thia requirement that will now be reviewed for safety reasons.

The installed capacity of the 50 major units, including Union Carbide, is just over 100,000 tons a year. Actual production in 1983-84 is estimated to have been over 70,000 tonnes (of which Union Carbide produced about 15,000 tonnes) compared with 58,000 tonnes in 1982-83 and 53,000 tonnes in 1979-80.

The Government is aiming eventually at self-sufficiency in pesticides under its agriculture programme. It wants to become as free as possible from the grip of multinational companies, developing its own products and cutting technical collaborations.

"For about six years we have been trying to recode known foreign technologies of known pesticides rather than having to pay multinationals," explains one scientist, admitting that only slow progress is being made. About eight pesticides have been developed.

"India is not trying to invent new molecules and pesticides—we don't have the resources for that—but we want to develop manufacturing know-how. Then we can build in safety standards suitable for Indian levels of maintenance and safety consciousness, which are lower than in the U.S."

The industry at present is dominated by multinationals of which Bayer and Ciba-Geigy are the biggest, followed by Cynamide, Indian Explosives (part of ICI), Hoechst, May and Baker, Shaw Wallace and BASF, in addition to Union Carbide.

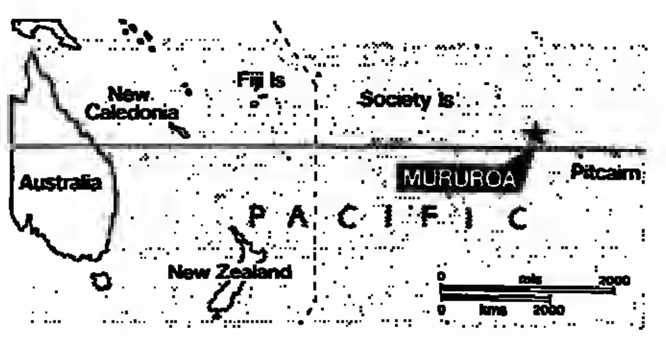
Government policy dictates that within three years of starting production, the multinationala must produce from the basic stage of manufacture instead of importing the chemicals imports of materials, equipment and spares are olso controlled in order to try to encourage purchasing in India. Employment of foreign technicians under India's tax exemption laws is vetted—experts are expected to leave the country os soon as they ere no longer needed in order to encourage the employment of Indians.

Union Carbide's last U.S. technician, Mr Warren Woomer, was in charge of commissioning the Bhopal plent. He left for home at the end of 1982, the last American to go.

Many foreign companies complain about such rules, about poor maiotenance ond about the import problems. The extreme difficulty of disciplining or dismissing labour is also said to impair meintenance efficiency.

Things do not change quickly in India and many of the policies that ore likely to be introduced in the next few weeks and months will appear aa bureaucratic blockages rather than constructive incentives to industrial efficiency.

But Bbopol has administered an unforgettable shock and mode industrial safety a major issue in the country. Mr Rajiv Gandhi, the Prime Minisler, is likely to take it up actively assuming he wins next week's general election.



France faces new outcry on Pacific weapons tests

BY DAVID MARSH IN PARIS

FRANCE IS likely to face further protests from Australia and New Zealand over its nuclear weapons testing in the south Pacific following o statement underlining that atomic explosions will continue next year at the same pace as 1984.

The statement, from the French Government's nuclear test headquarters in Tahiti, underlines that France is so far paying little heed to the call by south Pocific nations to set up a nuclear-free zone in the area.

France's uncompromising stand moy further worsen relations in particular with Australia, which thia year has confirmed a ban on uranium shipments to France in protest over the nuclear issue.

Paris and Canberra have more recently again been ot odds over French policies towards its troubled colonial territory of New Calendonia, criticised last month by Mr Bill Hayden, the Australian Foreign Minister.

In a remark hardly designed to calm the exchanges between the two capitals, President Francois Mitterrand, in his televised interview on Sunday night, attacked Australia's policies towards its own indigenous people, saying that Australia had solved the problem of the Aborigines "by killing them."

The latest official line on France's South Pacific testing—which has been carried out mainly on the atoll of Mururoa since France shifted weapons experiments from the Sahora in 1966—is likely also to irritate the New Zealand Government.

Mr David Lange, the New Zealand Prime Minister, last week condemned French testing in the strongest terms yet used when he said the latest explosion of about 70 kilotonnes on December 7 showed that France was "hell-bent on increasing their number and the quite oppalling escalation of their firepower."

The French Government does not give official information on the nuclear tests, which it says are necessary to continue the modernisation of the country's strike forces.

According to data from the New Zealand Seismological Laboratory, eight tests have been corried out this year of an average power of about 30 kilotonnes. This compares with seven tests last year, of oround the same average size—five in 1982, and 11 each in 1981 and 1980.

The weekend communiqué from France's Pacific test headquarters said 1984 experiments had allowed further development of the new TN-71 war head, increasing the range of the M.4 submarine warhead to more than 5,000 kms

The New Zeoland Government haa recently registered alarm at French statements indicating that Mururoa will continue in operation for about another 15 years.

S. Africa banks raise prime to 24%

By Anthony Robinson in Johannesburg

SOUTH AFRICA's leading commercial banks yesterday raised their prime rate from 23 to 24 per cent in response to tighter conditions on the money market.

The increase comes only one month after the banks dropped their prime rate two points from the record level of 25 per cent.

This followed prompting from the reserve bank which subseqnently dropped its own rediscount rate by one point on November 19 to 21.25 per cent, or a maximum of 21.75 per cent for some categories of borrower.

The reserve bank's decision to drop its rediscount rate by less than the foll in prime rate in November left commercial bank borrowing rates ont of line.

Since then, pnblication of the October money supply figures show an unexpectedly high level of monetary growth with a 36.6 per cent rise in M1 compared with October last year and o 23.1 per cent increase in M3.

The continning decline in the gold price to obout $316 per ounce yesterday and the prospect of another poor maize harvest—which carries with it the risk of a higher import bill, farming bankruptcies and further financial snpport to the farm sector—contributed to yesterday's decision.

Money market officials do not expect any npward movement in the rediscount rate in the near future and note that the demand for consumer credit in particuler has fallen sharply since last July's increase in the general sales tax from 7 to 10 per cent.

The rand declined by 34 per cent against o basket of currencies in the year to end-October and fell briefly to under 50 U.S. cents in mid-November before recovering with assistance from the reserve bank.

The letest decline in the gold price, however, caused a decline in gold shares on the Johannesburg Stock Exchonge yesterday, while the rand also closed lower ot 53.60 cents.

Accord on refugees may signal U.S.-Cuba thaw

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

CUBA AND the U.S. may be moving towards a less hostile relationship after last week's signature nf an accord on refugees and guardedly conciliatory statements by President Castro and senior U.S. officials.

The refugee agreement reached by the two countries on Friday regulates the resumption of emigration from Cuba to the U.S. and the repatriation of 2,746 criminals and mental defectives expelled by the Castro Government to the U.S. at the time of the 1980 boatlift of refugees from Cuba from the port nf Mariel.

Mr Larry Speakes, the White House spokesman, said on Friday that the agreement did not "signal any change in U.S. policy towards Cuba" but a rethink about bilateral relations is clearly taking place among senior policy makers in Washington.

"Despite the rebuffs the Reagan Administration has received from the Castro Government we intend to continue exploring the possibilities of a new relationship," one senior official in Washingtoo commented at the weekend. He acknowledged that U.S.-Cuban relations had been severely damaged by the invasion of Grenada in October last year.

A less hostile relationship between Havana and Washington could improve the prospects for peace in Central America through U.S. officials underline their determination to maintain pressure on the Sandinista Government in Nicaragua. They hope that Congress will resume financial assistance to the counter-revolutionaries who are seeking to overthrow the left-wing government in Nicaragua. "We think our chances are fifty-fifty," one official remarked.

On December 8 Havana Radio broadcast a speech by President Castro to Havana schoolchildren which was much more moderate in its references to the Reagao Administration thao most of tbe others he has delivered.

While insisting that Cuba was ready to deefod itsel he commented, "I mean that we will do whatever we can to cootribute to international detente and to a climate of peace. We will do everything witbin our power to contribute to detente in our area, in Cuba and in Central America. . . . To obtain some results we will have to givea littleand they (the U.S. Government) the same."

Western observers have meanwhile noted that President Castro bas liberalised the house market in Cuba for the first time since the revolution. Since last month Cubans are being allowed to own and sell their own houses.

● Cuba has announced an agreement with the West German chemical company BASF for the purchaseof cbemicals for use in industry and agriculture.

Sr Raul Taladrid, president of the State Committee for Economic Co-operation, said in Hamburg that Cuba was seeking to expand its trade with the Federal Republic and wanted better terms for export finance and credit insurance from the Hermes, the West German Government credit agency.

Peronists in disarray after mass walkout

By Jimmy Burns In Buenos Aires

THE PERONISTS, Argentina's major opposition grouping, was yesterday plunged into its worst ever internal crisis after a mass walknut by 347 ont of 664 delegates attending tbe party's national convention in Buenos Aires at tbe weekend.

The delegates, wbich included over balf of tbe party's parliamentary group and the majority nf provincial officials, stormed nnt in protest at the way the party's internal electinns had been bandied. They subsequently announced tbat tbey wnnld bold an alternative convention befnre tbe end of the year.

With the presence of only 317 delegates, tbe conventinn confirmed Sra Maria Estela "Isabettia" Peron, the widow nf the late General Juan Peron, as President nf the party. Sr Jose Maria Vernet, the Governor of the Province of Santa Fe, who is a elose ally of Sr Lorenzo Miguet the powerful metal workers nnion boss, was elected as deputy leader.

The re-electinn of an orthodnx leadership was objected tn by an increasingly large dissident faction which bas been pressing for a majnr renewal of the party, fnllowing tbe Peronist's crushing defeat in tbe etections of December 1983.

The faction, which supported the Government's decision on the dispute, is pressing for a democratisation of the party along broadly social democratic lines. The movement is spearheaded by al alliance of young parliamentary depnties, provincial gnvernors, student leaders and union officials opposed to the almost Mafia-like bold of the labour movement exercised by Sr Miguel and to the ineffectual titular leadership of Sra Peron, who lives in Madrid.

The chaotic proceedings of the weekend conventinn is likely to boost further the personal popolarity of President Ranl Alfonsin

Some government nfficials have, however, privately voiced their concern that the continuing absence of a united and eredible opposition runs the risk of playing into the hands of hard line military elements.

David Gardner reports on a surprise election result

Belize grows tired of one-man rule

MR GEORGE PRICE, Prime Minister of Belize for nearly 25 years before being trounced in last Friday's general Election, must be feeling a little like Winston Churchill after the latter's rejection by the British people in the post-war election.

Universally revered by his countryment as the father of Belizean independence — secured from Britain in 1981 — and with no politician of anything like his stature to challenge him, the 65-year-old Prime Minister has been summarily ejected in favour of a dull and little-known 44-year-old physics teacber, Mr Manuel Esquivel. Mr Price even suffered the indignity of losing his seat.

Mr Price's Peoples United Party (Pup), Centre-Left in Belize's Conservative politics, was beaten by Mr Eequivel's Centre-Right United Democratic Party (UDP) by 21 seats to seven. Mr Esquivel has promised an aggressive policy of promoting foreign investment for this poor, sparsely-populated Central American country aod seeks closer ties with the U.S.

The size of the UDP victory has been magnified by Belize's adoption of Britain's first-past-the-post system. Nevertheless, their likely 54 per cent of the vote reflects a significant swing in sentiment in a country which saw hairsbreadth victories for Mr Price in 1974 and 1976.

The degree of policy change implied by the Opposition triumph has also been exaggerated in an election campaign during which the UDP was painted by the PUP as a creature of Uncle Sam and was itself in turn branded by some of its opponents as "Castroist."

Mr Price describes himself as a Christian Democrat and the PUP has a vigorous Social Democratic Left, oversbadowed by wbat one UDP official describes as "the pork-barrel Right," a conservative business faction drawn to power and patronage.

In the election both Mr Said Musa, Attorney General and Educatinn Minister, and Mr Assad Shoman, Health Minster, lost their seats. They are the acknowledged leaders nf the Left and intellectual backbone of the PUP. On the Right, Mr Fred Hunter, who held the much criticized public works portfolio, also lost his seat, but Mr Louis Silvestre, the Right's standard-bearer, held on.

The Opposition profited from the hostility between the two wings of the ruling party — the PUP right ran a candidate against Mr Shoman for example, — altboubh the UDP itself had loked divided. Mr Esquival is their third leader since the 1979 edition defeat. His predecessor, Mr Ted Aranada, left the UDP to mount a muted challeoge with a new Chiristian Demodemocrat Party.

But the PUP's main weaknesses were wbat had hitherto appeared its greatest strengths. The ascetic Mr Price had a rapport with his people as unrivalled as bis flamboyant friend, the late Gen Omar Torrijos, had with Panamanians. Botb established their paternalist grip by waving the nationalist banner and by constant travel within their countries — Mr Price in a battered Land Rover, while Gen Torrijos favoured a belicoper.

Despite Mr Price's dominant personality, Belizeans had grown tired of rule by one man, and paradoxically, his successes in gaining independence and taking the heat out of the confrontation with Guatemala, which has claimed Belize as its territory for 130 years, made conditions safe for change.

This was the first election in which independence and security matters gave way to basic political issues. Mr Musa, for example, argued shortly before polling that "this election is about the future economic development of the country."

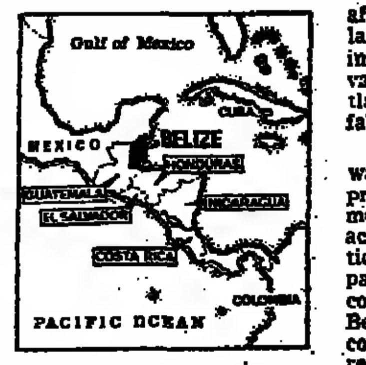
Since 1980, Belize's economy has been badly hit by low prices for sugar, its main export, and the loss of over two-thirds of its re-export trade with Mexico, after the latters financial collapse in 1982. A growing trade in marijuana has filled this vacuum, posing a serious potential threat to Belize's social fabric.

The UDP has argued that the way forward is the vigorous promotion of foreign investment, an issue on which it accuses the PUP of equivocation. It particularly accuses the party of falling to exploit the country's tourism potential. Belize has a long Caribbean coastline and the largest coral reef outside Australia, but net earnings from tourism were only $4m last year.

Mr Price's Government has offered generous investment incentives, and recently attracted the Hershey Corporation of Pennsylvannia to start commercial cocao production. At the same time, however, the Government agreed a takeover of 75 per cent of Tate and Lyle's Belize sugar subsidiary.

Both the UDP and PUP are at one in wanting to keep away from even tangential involvement in their Central American neighbours' civil wars, and both are concerned to keep Britain's 1,800-strong force in Belize to deter a Guatemalan invasion, as long as possible.

This presence is seen as balancing de facto dependence on the U.S. "Our national interests demand that we cultivate the friendship of the U.S.," Mr Barrow says, but rejects the oft-mooted replacement of British by U.S. forces: "We would not see a U.S. troop presence as useful given what is going on around us," he says. "It would be provocative."



BRITAIN'S commitment to maintain troops in Belize remains unchanged since the election, according to officials in Whitehall. It is expected that Prime Minister Esquivel will have talks with British ministers in the next few months.

Bahamas commission fails to link PM with drug trade

BY NIKKI KELLY IN NASSAU

A YEAR after being appointed to investigate corruptioo and drug smuggling, a Bahamas commission of inquiry has reported that it lacked suffcient evidence to determine whether Prime Minister Sir Lynden Pindling ever recieved money from drug traffickers.

"It is apparent that the Prime Minister's expenditure over the years from 1977 has far exceeded bis income," two of the three commissioners wrote. However, none of the known sources of funds made available to him appear to have been drug related," said Sir James Smith, former Bahamas Chief Justice and M Edwin Willes, former Assistant Commissioner Royal Canadian Mounted Police.

The third commissiooer, the Rt Rev Drexel Gomez, Bisbop of Barbados, was more critical, citing the Prime Minister's "lack of prudence."

"It is certaioly feasible that all of tbese payments could bave beeo made from non-drug related sources," the Bisbop wrote. "But in my opinion the circumstances raise great suspicion aod I find it impossible to say that the payments were all non-drug related."

The Commission did, bowever, link some of Sir Lynden's closest friends and political albes to drug payoffs, money laundering, influence peddling and perjury. The five hundred page port asesrted tbat corruption in the Babamas "must have reached to a senior level of Government" to allow smugglers to operate openly from tbeir own private islands.

The commissioners were "shocked" by the "serious social aod economic ills facing the society" from drug abuse, aod blasted tbe legal profession and banking industry for their role in facilitating the drug trade.

They were also concerned at the extent to wbich the police and public service had been subverted. "In our opinion, the whole nation must accept some responsibility," the report said.

Among those dealt witb by tbe Commission were cabinet ministers, Mr Kendal Nottage and Mr George Smitb, both of whom resigned in October as part of a major cabinet shake-up stemming from tbe inquiry.

The panel found that Mr Nottage, "whether he realised it or not," had been fronting for accused American mafia figure and drug fugitive Sig Salvatore Caruana in a money laundering scheme.

In Mr Smith's case the Commission determined that he bad "corruptly accepted funds from smugglers" and recommended that the Attorney General determine wbat further action to take in the circumstances.

Right-wing death squads 'active again' in Salvador

THE ARCHBISHOP of San Salvador says there bas been an increase in the activities of death squads even though the Government and left-wing guerrillas bave started peace talks and are discussing a Christmas truce. AP reports from San Salvador.

Monsignor Arturo Rivera y Damas said during his weekly homily that the Rman Catholic cburch's legal aid office in San Salvador had received reports of three apparent death squad killings last week, and of 70 guerrillas and two soldiers killed in combat.

Death squad activity had virtually ceased since peace talks between the Government and guerrillas began on October 15.

He did not say wbere tbe rebel losses occurred. The church usually gets it guerrilla casualty figures from the army press office, wbicb sometimes exaggerates.

The prelate said the three victims bad been mutilated, usually a sign they were killed by the right-wing gangs responsible for thousands of political murders in the last five years. More tban 59,000 people bave died during the civil war.

Rally for Mexican gas blast victims broken up

GOVERNMENT agents have broken up a demonstration demanding compensation for victims of the liquid gas blast that killed 452 people nn the nutskirts nf Mexico City, AP reports from San Juan Ixhnatepec.

Several hundred residents of San Juan Ixhuatepec a Mexico City suburb gathered at the weekend to hear a left-wing deputy urge them to organise to demand compensation for damages caused by the catastrophe on November 19 at a liquid petroleum gas storage facility run by Pemex, the Government monopoly. The explosion and firestorm that followed ravaged the community n the nrothern edge of the capital.

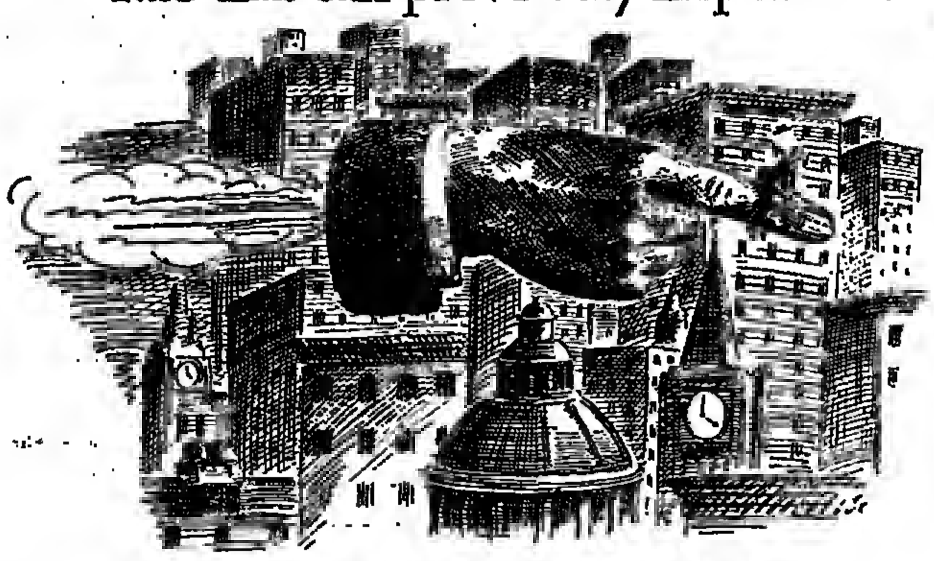
Witnesses said several local members of the ruling Institutional Revolutionary Party, accompanied by plainclothes police agents, shouted down Sr Victor Gonzalez, a deputy from the Unified Socialist Party, anl then broke his microphone.

The demonstratinn then deteriorated into shouting matches between the government agents and protesters. No nne was seriously hurt in the incident.

BANK OF AMERICA ANNOUNCES A MAJOR CHANGE IN THE EXCHANGE RATE.

No, we're not talking about exchange rates as in International Currency.

But another kind of exchange rate that can prove very important.



'DIGITAL' MEANS YOU GET THROUGH FASTER.

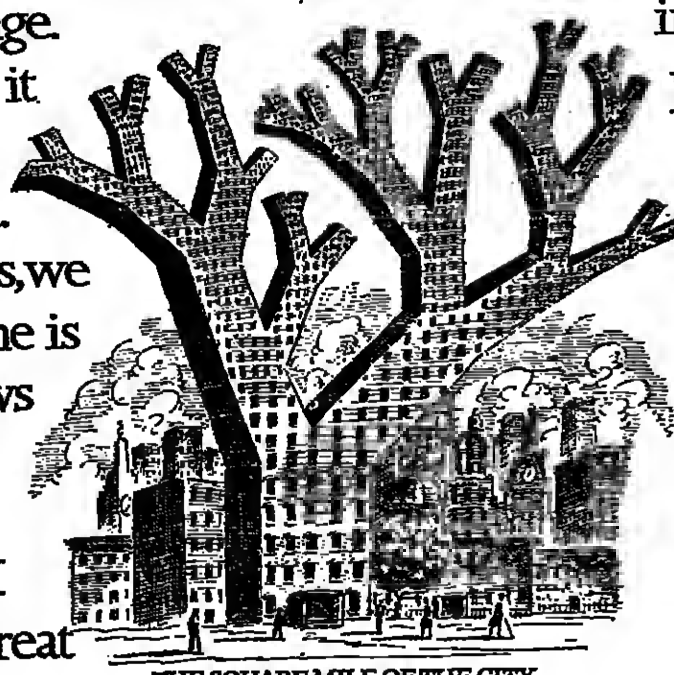
We're talking about how long it takes you to call up Bank of America.

Recently, we installed a Merlin DX, British Telecom's third generation digital exchange.

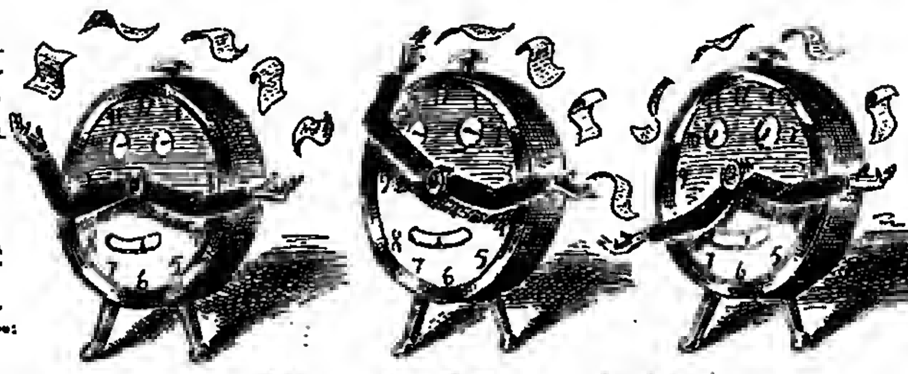
It cuts the time it takes you to reach the right extension.

Only by seconds, we admit, but then time is money. (Who knows that better than a bank?)

The Merlin DX also allows you to treat our three offices



THE SQUARE MILE OF THE CITY IS GROWING.



3½ MILLION BITS OF INFORMATION PER SECOND.

(in the City, Bromley and Croydon) as one.

You have to remember just one number. And make just one call.

Again, you put time in the bank.

But the DX can do a lot more than handle phone calls. It can carry electronic mail, computer data and facsimile.

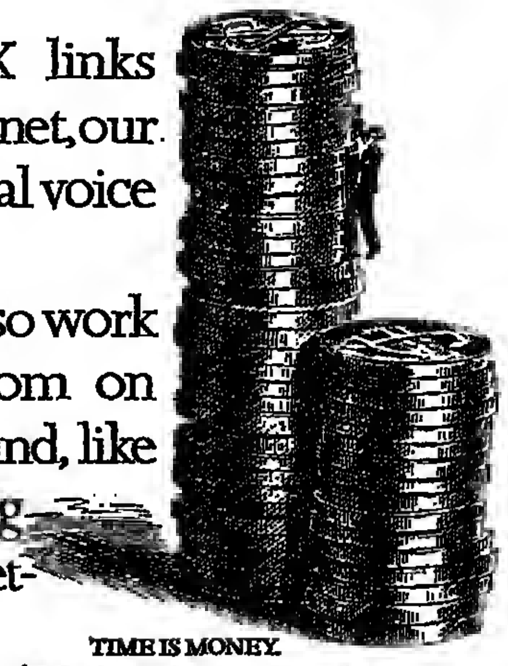
In fact, Bank of America's system can cope with over 3½ million bits of information per second.

WE'VE DECIDED TO GO PUBLIC ABOUT OUR WORKING RELATIONSHIP WITH BRITISH TELECOM.

And, thanks to digital encoding, there's minimal distortion or loss of quality.

The Merlin DX even works at the sharpest end of our business, the Dealing Room, where a few seconds' delay could cost thousands.

There, the DX links us into BankAmerinet, our private international voice network.

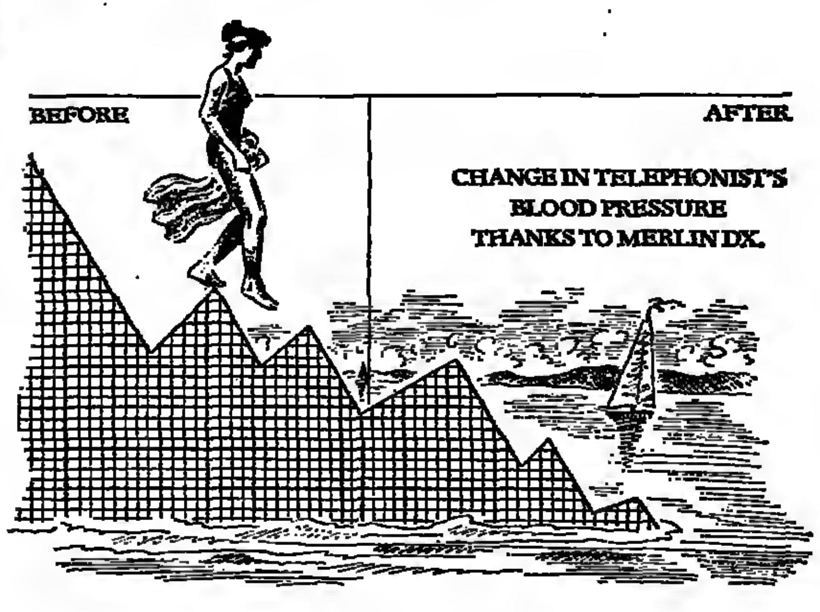


TIME IS MONEY. (WHO KNOWS THAT BETTER THAN A BANK?)

Naturally, we also work with British Telecom on more familiar ground, like Prestel, Radiopaging and Telex. Not forgetting the good old telephone.

The end result? At every level, you get a better service.

And we'd like to think we're becoming a better bank.



CHANGE IN TELEPHONIST'S BLOOD PRESSURE THANKS TO MERLIN DX.

Of course, with all this time-saving everyone can get on with worrying about really important matters.

Like the exchange rate.

Look to the Leader.

Bank of America

Lisa Wood on the legal problems facing the cigarette giant over its Barclay brand

BAT fights to uphold its low tar claims

BAT INDUSTRIES, which is enjoying considerable success in its recent moves into the insurance business, is finding itself buffeted by legal problems in doing what it is most famous for—marketing and selling tobacco products.

As the world's largest cigarette maker, the UK-based conglomerate is finding itself in the role of a Gulliver tied down by myriad legal Lilliputians in its efforts to launch its Barclay cigarette, with its special Actron filter, on to international markets.

Court proceedings involving the cigarette, which began in the U.S., are also under way in Switzerland, West Germany, Belgium with investigations also taking place in Finland.

At stake for BAT, according to Mr Jeffrey Weingarten of Goldman Sachs, the U.S. investment analyst, is the establishment of international brand recognition in the low tar market where no strong brand exists. "Barclay could give BAT a unique opportunity in world markets," he said.

At issue is the Actron filter, which it is claimed cuts nicotine and tar, the tatter to the ultra-low level of 1 mg compared with around 18 mg for medium tar cigarettes, as well as maintaining what the smoker would call a "full flavour."

While there are several other brands in the ultra-low tar category—which ranges from 0 to 6 mg of tar per cigarette—none, BAT claims, has been as successful as Barclay in providing flavour.

BAT's competitors claim that the cigarette's tar levels are higher when smoked by a human and not just tested on a machine. The human lips, so the argument goes, crush the filter's four open channels, blocking the sophisticated design feature which it is claimed cuts the tar level.

The controversy has provoked dissent among eminent scientists and acrimony in an industry whose world-wide market growth is facing a decline from 2.3 per centage point growth levels achieved until last year.

Within this intensely competitive market, the major growth sector is the internationally marketed American blends of cigarettes such as Marlboro, the world's best selling cigarette, and Winston and Camel.

International American blends, according to BAT's research, are growing five to six times faster than national or *local brands which are* generally not American blends of tobacco. Of a total non-Communist world consumption of some 2,800bn cigarettes a year some 30 per cent are international brands.

Barclay was launched in the U.S. in 1980 and was seen then as largely a domestic, ultra-low tar brand. But BAT, which was taken to court there by the Federal Trade Commission after complaints by competitors, also set its sights on the overseas potential for an ultra-low tar brand with more than usual flavour in the international American blend market.

Traditionally BAT, with more than 360 brands around the world, has relied largely on local brands such as H.B. in West Germany and State Express and Ardath in the UK. Barclay, it says, is its first potentially successful entry into the international market.

But it is here that competitors such as Philip Morris and R. J. Reynolds, both of the U.S., are already heavily committed with their international American blends *such as Marlboro* (Philip Morris), Camel and Winston (both Reynolds).

"If Barclay is successful," *said Mr Nyreo Scott-Malden, of* stockbroker De Zoete and Bevan, "it could provide serious competition to brands such as Marlboro in international markets."

Tobacco companies are reluctant to say from whom market share has already been taken by Barclay, but the cigaratte has, for example, taken 4.5 per cent of the cigarette market in Switzerland since its launch in 1982.

Tobacco companies which have applied for injunctions against the advertising of the 1 mg in Barclay claim include Philip Morris, R. J. Reynolds and F. Reemtsma, the West German manufacturer which has recently introduced its own American blend cigarette called West.

In Switzerland the courts have granted a temporary injunction against sales of the cigarette in a pack bearing the 1 mg tar claim. A full hearing is expected next year.

In West Germany, a Munich regional court has rejected an application for a temporary injunction to stop sales of the cigarette bearing the tar and nicotine claims, but judgment has been reserved on another application in Cologne. In Belgium a court decision finding in favour of Barclay is under appeal by competitors.

BAT is reluctant to say how much sales of Barclay rely on favourable findings in the courts. In the U.S. last year a Federal court ruling prevented the advertising of the 1 mg claim although BAT is still allowed to advertise the cigarette as 99 per cent tar free.

Shortly after the brand's launch its market share was 1.3 per cent of total sales in the U.S. and it is currently about 0.7 per cent. But the ultra-low tar segment of the U.S. market has, itself, declined from an 11.5 per cent share in the early 1980s to under 10 per cent now.

The brand, however, has made a significant contribution to the group's total tobacco turnover—about 1.5 per cent of £6.138bn in 1983.

BAT is determined to keep fighting. "We are convinced that Barclay is what we say it is," said Mr Richard Haddon, BAT's spokesman on Barclay. "Any innovation tends to be denigrated by those companies which have not got it."

Ikarus wins Canadian bus order

By Leslie Colitt in Berlin

HUNGARY'S IKARUS company, Europe's largest bus producer, has won an order from Ottawa City Council for 40 articulated buses for the Canadian capital. The deal, worth US$2.7m, was said to have been won against rival tenders from Volvo, MAN and other Western manufacturers.

Ikarus will deliver the semi-finished buses to Canada next year where they are to be fitted with engines, gearboxes and other components by Ottawa Bus Industries. The city is said to be negotiating a further purchase. Interest is also being shown by Toronto.

Although it is the Hungarian company's first bus sale to Canada Ikarus has delivered buses to eight U.S. cities since 1979, including Milwaukee; Honolulu; Portland, Oregon; and, this year, Houston.

In the U.S. Crown Coach Corporation of Los Angeles is the local partner supplying engines and gearboxes.

West Germany and U.S. set to resolve computer dispute

BY JOHN DAVIES IN FRANKFURT

WEST GERMANY believes it is heading towards a solution in the dispute with the U.S. over a ban on delivery of a computer system to a scientific institute in Hamburg.

The incident has crystallised concern in West Germany over the U.S. attitude to high technology exports.

The Max-Planck Institute for Meteorology ordered the computer system, worth DM 15m (£3.8m) from Control Data of the U.S. about a year ago and had been hoping to obtain delivery last month.

But U.S. customs authorities have blocked shipment until there is agreement on strict security measures aimed at preventing know-how finding its way into Eastern Europe.

The Foreign Ministry in Bonn is satisfied that there is no U.S. ban in principle on delivery of the computer system. It believes that the U.S. may lift the ban soon, once there is agreement on security controls.

The issue has caused controversy in West Germany on a number of grounds.

Concern centres on what is seen as a U.S. tendency to impose its own prescriptions abroad as a condition for high technology exports. In the Hamburg case, there has been controversy over suggestions that weather research scientists all over the country might need security clearance before being allowed access to the computer from their terminals.

Bonn officials say that while there may have been cases of delays in deliveries, there is no evidence that the U.S. is boycotting European interests to preserve its own competitive advantage.

Although the computer system ordered for Hamburg is not among the items banned for export to Communist countries, the U.S. argues that aspects of the system could have military implications. It has been seeking to retain influence over the use of the computer system.

A scientist at the Max-Planck Institute said yesterday that the computer system might arrive about March or April. If the shipment could not be made, however, the institute might have to turn to Japan for an alternative computer system.

Leslie Colitt in Berlin adds: Standard Elektrik Lorenz (SEL) of West Germany, a subsidiary of ITT in the U.S., has revealed that its recently aborted sale of advanced telephone exchanges to Hungary, which was opposed by Washington, was far bigger than originally disclosed.

Herr Helmut Lohr, chairman of SEL, said that in addition to supplying the computerised System 12 telephone exchanges worth "more than DM 100m" (£27m), SEL and the Hungarians wanted to set up a joint venture in Hungary to manufacture the exchanges. In a third stage, joint exports were planned to other Comecon countries from the Hungarian plant.

Previously SEL indicated the letter of intent signed with Hungary's Budavox telecommunications foreign trade company for the telephone exchanges was worth only DM 30m.

CBI urges joint action on Bulgarian counterfeiting

BY LISA WOOD

THE DISCOVERY of 2,400 cases of Bulgarian counterfeit Johnnie Walker whisky in the small Italian port of Ancona has raised alarm in British industry.

Complaints to the Bulgarian anthotrities about the shipment, a first delivery of a sale of 22,500 cases destined for Africa via a tortuous road and ferry route have met with a stong silence.

The Confederation of British Industry, which has alerted its members to the counterfeiting in its CBI News, is asking any industries affected by Bulgarian counterfeiting to participate in evolving a joint strategy.

It said Western brand owners could not be confident that they would escape attacks by such counterfeits in the future." Moreover they cannot be confident, if they get evidence of counterfeiting that appropriate action will be taken in Bulgaria to prevent it."

The CBI has been particularly concerned by the counterfeiting of the world-wide selling selling Jonnie Walker brand because of the documented involvement of Despred, a Bulgarian state enterprise.

During the investigation into the shipment, invoices were uncovered from a Sofia company and the transport documents showed that the goods were dispatched from the Bulgarian capital by Despred, a forwarding enterprise.

Bulgarian anthorities, through their London Embassy, were asked to investigate the matter and seize the remaining stocks of counterfeit liquor covered by the sale.

"So far," said the CBI "They have given no indication of having pursued any of these steps, and no explanation has ever been given as to how the export of couterfeit goods came to be made by Despred."

Guinness Peat orders 24 MD-83 jet airliners

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

The Guinness Peat Aviation Group, based in Shannon, Eire, has placed an order with McDonnell Douglas, of the U.S., for 24 MD-83 twin-engined pet airliners, worth $600m.

The aircraft will be used to expand the base of the GPA group's leasing portfolio—providing jets for airlines world-wide on a lease basis.

The deal has been arranged through a new joint-venture company, Irish Aerospace, in which GPA group and McDonnell Douglas each have a 50 per cent stake.

The GPA group's own shareholders include Aer Lingus (the Irish flag airline), Air Canada, General Electric Credit Corporation, and Mr Tony Ryan, chief executive and deputy chairman of Guinness Peat Aviation.

The Gusinness Peat Aviation Group already has a fleet of aircraft comprising 39 Boeing 737s, nine Boeing 727s, five Boeings 747s, four Lockheed TriStars, two Airbus A-300-B4s and two Douglas DC-8/61/71s.

These aircraft are on lease to airlines world-wide. They will be joined by the MD-83s ordered.

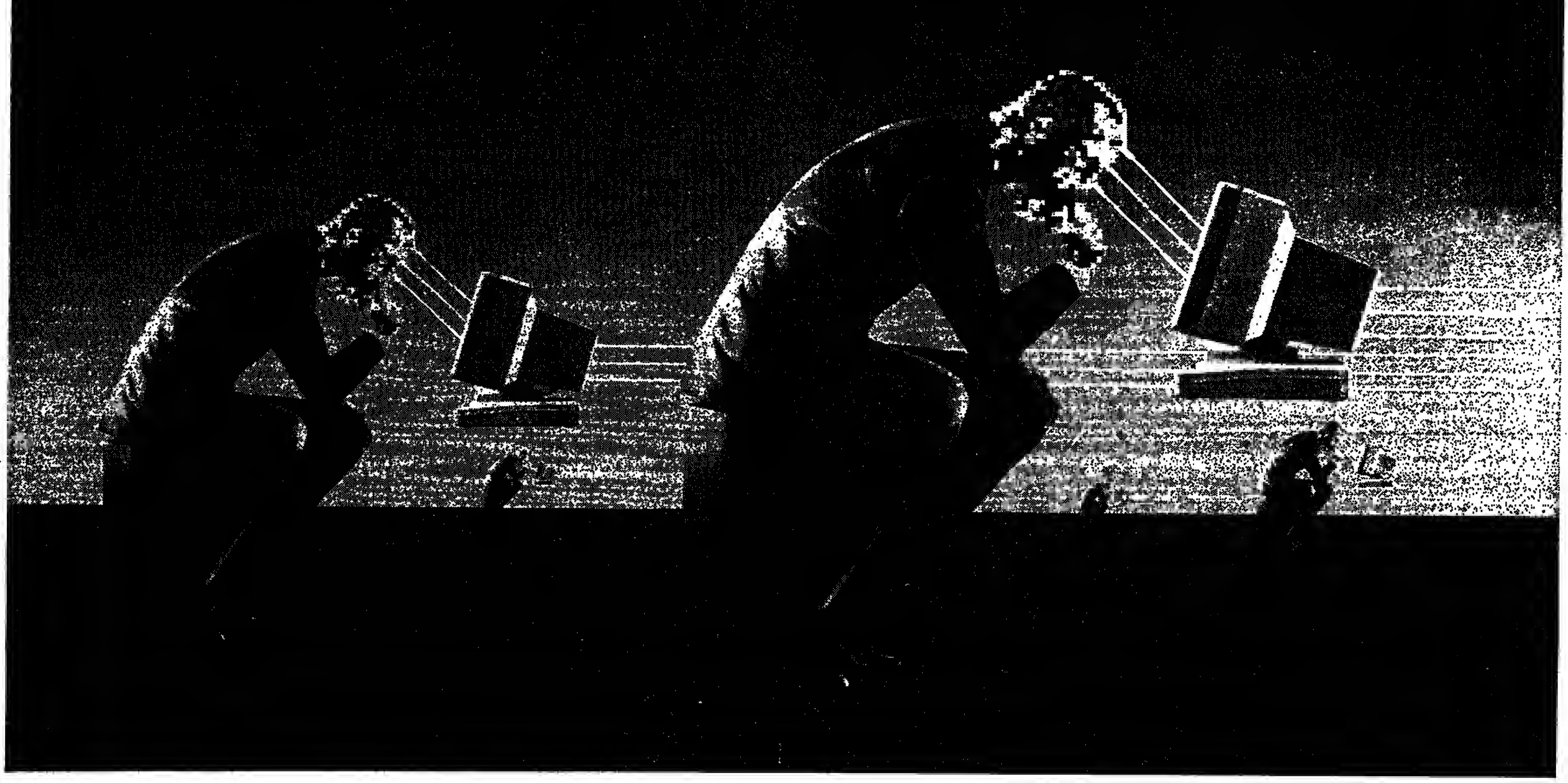
The first six MD-83s will be delivered in 1986, the second six in 1987 and the remaining 12 from 1988 to 1990 as market conditions dictate.

Mr Ryan said yesterday that the GPA investment in the MD-83 "takes GPA right to the forefront of a global industry, and, together with other developments, will ensure the leadership position and growth of the GPA group for the rest of this century."

James Buxton, in Rome, adds: Alitalia, the Italian state-controlled airline, has ordered six ATR 42 twin-engined commuter aircraft to serve its secondary domestic routes. It has taken an option on a further four aircraft.

The ATR 42 is built by a joint venture between Aerospatiale, the French aerospace company, and Aeritalia, which like Alitalia is part of the state-owned IRI group.

ITT XTRA, THE PROFESSIONAL COMMUNICATOR WITH ALL THE RIGHT CONNECTIONS.



Buy an industry-standard personal computer from a world leader in communications and you make all the right connections.

The ITT XTRA is a professional communicator designed to meet your every computing and communications need.

ALL THE WORLD'S SOFTWARE

It runs the world's best-selling software, and in local language versions, so you'll always have the programs you need.

Database, spreadsheets, graphics, word processing – you name it, the ITT XTRA takes it all in its stride.

And each of the four models in the range communicates in *your* language across the entire spectrum of business applications.

THE INS AND OUTS OF GOOD DESIGN

The ITT XTRA is a professional personal computer. Since it's made by ITT, that's no surprise.

The tilting, swivelling monitor can be adjusted to suit your working position exactly. It takes up the minimum of desk space – you don't have to sit it on a bulky box of electronics.

And there's a choice of monitors – green, amber or colour – all with high-resolution, glare and smudge-resistant screens. While the compact, ergonomically designed keyboard, with sculptured keys and home row indicators, is a pleasure to use.

THE WORLD AT YOUR KEYBOARD

You become more productive, quicker, with the ITT XTRA.

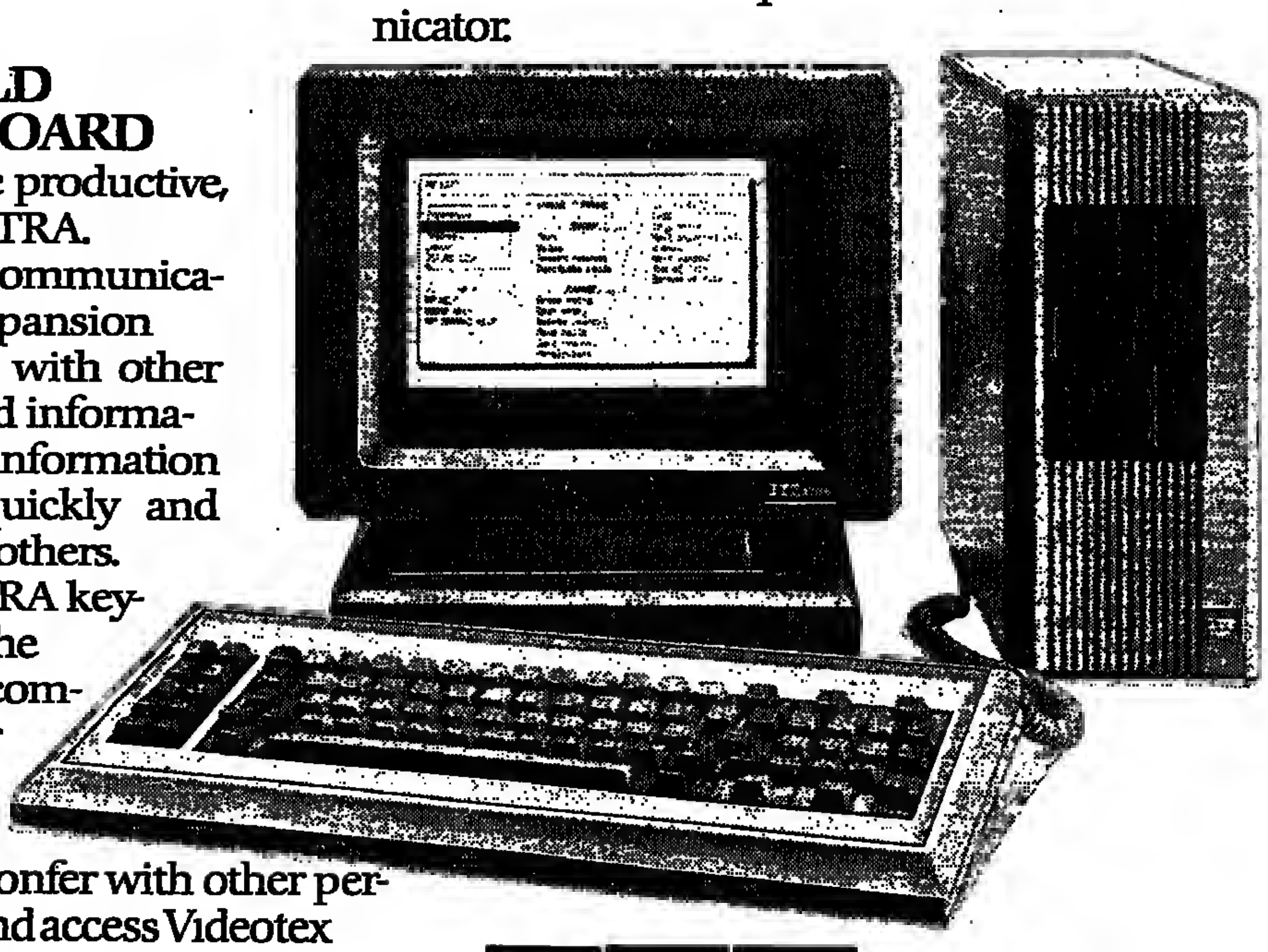
And its built-in communications power, and five expansion slots, lets you 'connect' with other micros, mainframes and information networks to get information instantly, process it quickly and pass-on your results to others.

From your ITT XTRA keyboard, you can call-up the power of a mainframe computer, access subscriber information services, operate an electronic mail system, 'chat' and confer with other personal computer users, and access Videotex systems like Prestel.

So while conventional personal computers come and go, the ITT XTRA, the professional communicator, is here to stay.

Which would you rather have – a conventional personal computer or a system with all the right connections?

ITT XTRA, the professional communicator.



THINK COMMUNICATIONS, THINK ITT XTRA.

ITT XTRA™
PERSONAL COMPUTER

UK NEWS

Bridget Bloom looks at where the spending axe could fall

RAF cuts may affect updating

CUTS in Royal Air Force spending which are being enforced in the next few months to try to reduce a budget deficit of £400m come when the service is undergoing the biggest re-equipment programme since the Korean War in the 1950s.

The RAF's capital programme far outpaces spending on the army or navy. Since 1978-79, when Mrs Margaret Thatcher's Government began to increase defence expenditure total spending on equipment has been about £34bn. Of this, the RAF has accounted for about £14bn, with the Royal Navy at £8.8bn and the army £8bn. The Defence Ministry says 95 per cent of the equipment budget has been spent with British industry.

Ironically, today's problems have not been caused by Tornado, the multinational combat aircraft which is the centrepiece of the modernisation programme. The RAF is having to cut the use of fuel – perhaps by as much as 30-40 per cent in the next few months – and to make other "housekeeping" savings principally because of an overrun on the Nimrod early warning aircraft.

This is the key to the improvement of Britain's own air defences – one of the RAF's two main roles, the other being in support of Nato in West Germany.

Nimrod's highly complex radar system, developed by Marconi, is not working properly, the aircraft is already about a year behind schedule and costs for the 11 aircraft are thought to have escalated from £450m in 1981 to nearly £1bn by next year.

Some senior officers are particularly bitter about the cost of the delays, since they say the decision to buy the British Nimrod in 1977 was taken in the teeth of RAF advice to buy U.S. Awacs, now in service with Nato.

Other factors, such as the post-Falklands war decision to convert nine TriStars into RAF tankers and the higher cost of fuel, have contributed to the immediate cost overruns. Ministers are already studying other measures, including delaying projects, to augment the present measures.

Currently re-equipment centres on the introduction of 385 Tornado aircraft both in the ground attack version for West Germany (about £11m each) and the air defence variant (some £13m) which will progressively take over Britain's air defences from the ageing Lightnings and Phantoms.

RAF Germany has beaten the Luftwaffe, its German partner in Tornado, in getting three squadrons of the aircraft fully operational. Those who operate Tornado have only the highest praise for it, while officials say that in the 15 years of the project's life, costs will be kept to within 10 per cent of estimates.

Other major improvements include a faster, better-armed Harrier jump jet, new Chinook heavy lift helicopters and an impressive range of weapons from the anti-ship missile Sea Eagle (a £200m-£300m programme) and the anti-radar missile Alarm (£300m-£400m) to Hunting Engineering's runway cratering bomb the JP233 ("Eight Tornadoes armed with JP233 could do the damage of 50 Jaguar fighters with free fall bombs," claims an official briefing).

It is too early to tell whether any of these programmes will be under threat after 1985-86. Partly because the Government is abandoning its Nato commitment to a real annual increase of 3 per cent in the defence budget, that is the last year which is likely to see real growth.

There are several projects on the horizon which officers fear might be curtailed. They include two helicopters – a battlefield transporter and an anti-tank aircraft – both likely to be multinational projects.

What officers desperately hope will remain in the budget is the European fighter aircraft (Efa) the project making its uneasy way through feasibility studies by the British, French, West German, Italian and Spanish aerospace industries. For the RAF this would replace the 15-year-old Phantom in the mid 1990s.

Senior RAF officers list weaknesses which will remain even when the present programmes are completed. The first is the need to increase all-weather and night fighting capability. The second is the "disaster" that Nato has no common system to identify friendly from enemy aircraft. A dispute, principally between West Germany and its allies, on how to do this could be resolved in the next few months.

Air force officers, like their army counterparts, recognise the third weakness has little chance of being corrected, because it is political anathema. They would like Britain, or at least Nato, to have chemical weapons to match – and deter – the present unilateral threat from the Warsaw Pact.

UK delays moves to stem oil losses

By Dominic Lawson in London

THE UK Government is blocking any action by the British National Oil Corporation (BNOC) to stem its mounting losses, until after the meeting of ministers from the Organisation of Petroleum Exporting Countries (Opec), which begins in Geneva tomorrow.

BNOC is selling about 400,000 barrels of North Sea oil a day on the spot market at prices at least $1.50 a barrel below its official selling price of $28.65. It wants to change to a spot related, lower official price, which would enable it to trade oil at breakeven.

The British Government fears that an immediate cut in UK official oil prices could make the UK the subject of retaliatory action at the Opec meeting.

Today Mr Alick Buchanan-Smith, Britain's Energy Minister, will defend the Government's winter supplementary estimate to BNOC of £45m ($54m) in a debate in the House of Commons.

BNOC is likely to need an additional capital injection next month if it is not allowed to set a lower official price.

Last week the Energy Select Committee of the House of Commons said that any further support for BNOC would be unacceptable unless the Government admitted that it was using BNOC to prop up the price of oil.

Mr Buchanan-Smith is likely to tell members of parliament today that the losses to the UK from an oil price war would outweigh any conceivable losses that BNOC would make on its own trading account. Therefore, nothing should be done to provoke an immediate Opec retaliation at their forthcoming meeting.

Yesterday the spot price of North Sea crudes fell once again, with February shipments of Brent, the North Sea marker crude, quoted as low as $26.60 a barrel, 15 cents lower than last week's close.

State spending on arts to rise 5.8%

BY ANTONY THORNCROFT

THE GOVERNMENT is increasing its spending on the arts by 5.8 per cent, to £272m in 1985-86, Lord Gowrie, the Minister for the Arts, said yesterday.

The Arts Council will receive £105m, a 5 per cent increase, but much of the extra cash will go to special projects, leaving the bulk of Arts Council clients having to manage on an increase of less than the inflation rate.

Of the total £2m has been earmarked for the Arts Council to pursue its "Glory of the Garden" policy announced earlier this year, which shifts funds from London to the provinces, and extra money for Scottish national companies which are affected by local government reorganisation.

The Arts council had asked for £120m and expressed great disappointment at the level of its grant, stating "many of the Council's clients, when faced with upliffs well below inflation, will find their very existence in jeopardy." It will announce its grants to clients after a meeting at the end of January.

The other major shift in the Arts Minister's statement is extra cash for the conservation and maintenance of museums and art galleries, but a cut in their purchasing budget. The building and maintenance programme rises £3.9m to £28.7m, but the purchasing grants of most museums and galleries have been reduced. Many are getting only marginal increases in their running costs.

One sector to benefit in a generally bleak prospect is authors, whose payments under the Public Lending Right are set to rise by 40 per cent to £2.75m. In contrast the National Heritage Memorial Fund is only receiving £1.5m from the arts budget, much less than it anticipated.

The minister went out of his way, however, to suggest that Kedleston Hall, the latest country house in danger, will eventually be saved by special government action.

Councils protest at threat to housing

BY WALTER ELLIS

THE Association of Metropolitan Authorities, representing urban councils in England, claimed yesterday that the clampdown in councils' capital spending due to be announced today by Mr Patrick Jenkin, Environment Secretary, could leave councils unable to meet even their current housing commitments.

Mr Jenkin is expected to tell parliament that the total borrowing limit for investment in housing will fall from the 1984-85 figure of £1.853bn to a 1985-86 total of £1.6bn.

He will further announce that the proportion of council funds arising from the sale of public authority houses which can be spent on new council homes must drop from the present rate of 40 per cent to just 20 per cent in 1985-86.

The AMA says that the new housing allocation of £1.9bn – against £2.3bn for the current financial year – will not even permit existing housing programmes to be completed. Some £1.5bn has already been committed, the association adds, and the logical consequence of the new limit must be a standstill.

Mr Ted Cantle, housing undersecretary of the AMA, denied government claims that local authorities have been overspending on capital projects. Authorities, he said, had not breached their cash limits; they had merely used up money available to them from past sales of assets. This was within the existing rules and ought not to result in a penalty.

The change in the proportion of accumulated funds free for spending on new homes was also criticised.

Demand rises for London office space

By Michael Cassell

THE STOCK of empty office space in central London is falling quite sharply as demand from tenants continues to improve. Both the City and West End markets are experiencing a continuing surge in letting activity.

The latest evidence of a broadening revival in the capital's office market is contained in a report from Debenham Tewson & Chinnocks, the estate agents and surveyors. It shows the volume of available office space has fallen below 8m sq ft (743,000 sq m.) for only the second time in two years. The total office stock in central London is estimated at 120m sq ft.

Clore £100m estate proposal studied

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

PROPOSALS for settling part of the complex litigation that has bedevilled the £100m estate of the late Sir Charles Clore, the founder of Sears Holdings, are being studied by the Inland Revenue and the Official Solicitor, the High Court-appointed administrator of the Clore English estate.

An agreement has been reached between Sir Charles's children, Mr Alan Clore and Mrs Vivian Duffield, Sir Charles's executors and the trustees of his Jersey settlement.

The agreement, which disposes of Mr Clore's challenge to his father'a two wills, will have to be approved by courts in Israel and Jersey, because Sir Charles made bequests to charities in the two countries. A hearing will take place in the Royal Court in Jersey next spring.

The executors are given a free band to negotiate with the Revenue, which is claiming about £75m tax on the worldwide estate of Sir Charles, who died in July, 1979.

The agreement does not, however, provide for any payment of UK tax, or for money to be handed over to the Official Solicitor.

The Official Solicitor is likely to return to the High Court for directions as to how he should respond to the Jersey agreement. One of his tasks is to try to retrieve from Jersey the Clore assets which the High Court has ruled are part of the English estate.

English court proceedings over the estate are not directly affected by the agreement, but a Jersey lawyer said yesterday that the agreement was regarded as a first step towards settling the whole of the litigation.

UK NEWS

Notts coalminers vote to end overtime ban

BY PHILIP BASSETT, LABOUR CORRESPONDENT

MINERS in Nottinghamshire – the second largest coalfield in the UK where most men have continued to work during the pit strike – have voted overwhelmingly to end the 13-month-old overtime ban called by the National Union of Mineworkers (NUM).

Until now, the ban, which preceded the strike which started last March, has been observed by all NUM areas.

Branches of the area union have also voted in favour of an important change in the area union's rules, which would shift final authority from the left-led national NUM to the moderate-led Notts area. The national union is to try in the High Court tomorrow to prevent this in the first court action brought so far in the dispute by the NUM nationally.

The national union leaders yesterday re-asserted their opposition to pit closures on economic grounds when they met the seven-man liaison group of the Trades Union Congress (TUC) – thus putting paid to the slim hopes for new talks between the NUM and the National Coal Board (NCB) before the new year.

The TUC's finance and general purposes committee later endorsed the position, thereby recognising that the stalemate in the 41-week old dispute is complete.

All sides are now holding their positions until the new year, when the NCB and the Government believe that the "drift back" to work will again reach the high levels of November. Only 80 striking miners returned to work for the first time yesterday.

Mr Arthur Scargill, the NUM president, repeated his call to the TUC for more financial and industrial support. He has been bitterly critical in recent speeches over the lack of industrial action delivered by the labour movement.

The liaison group promised to try again to drum up more solidarity action – although most members of the group accept privately that the present low level of support is the most that can be achieved.

The Notts area council will vote on Thursday, based on their branch mandates, to abandon the overtime ban unless it is prevented from doing so by tomorrow's court action.

Depending on the outcome of the legal action, e decision by the Notts area council to end the ban nn overtime would be a significant break in the NUM unity on this issue and a severe blow for Mr Scargill and the national union leadership.

Production in Nottinghamshire, already running at about 300,000 tonnes e week, could increase sharply.

Seamen plan 'defence fund'

BY DAVID BRINDLE, LABOUR STAFF

THE NATIONAL Union of Seamen (NUS) plans to increase its members' contributions by one-third to set up a "defence fund" to finance any legal actions brought against the union under the Government's employment legislation.

The move, which is thought to be the first such action proposed by an individual union, was approved unanimously by the 16-member NUS executive yesterday and will go before a special delegate meeting in March.

If the plan is carried through, the contribution rate charged to all 25,000 NUS members will rise from its present level of 0.75 per cent of earnings to 1 per cent.

At present, the average contribution is about £1.30 a week and there is a maximum payment of £1.50. After the proposed change, most members would be paying a new maximum of £1.70.

The union expects the supplementary levy to produce up to £350,000 each year for the defence fund, with the cash being held partly at head office and partly by branches.

Full details of the disbursement of the fund have yet to be worked out, but it seems clear that the intention would be to try to thwart any sequestration moves.

The major response of the labour movement in terms of raising finance to counter employment legislation has so far been the TUC's 10p-a-head levy in 1982, which realised just over £1m.

The NUS said it was "aghast" at the recent rash of legal challenges to other unions. Although the NUS itself bad yet to come under threat, it was thought to be wise to take certain precautions.

One area of potential trouble was closed-shop legislation, the union said, because about 80 per cent of the membership was subject to a national agreement – not approved under the law – with the General Council of British Shipping.

The union could also be affected by suits over so-called secondary action because it is its practice, as in the current miners' dispute, to take strong supportive action when requested.

At the union's annual conference earlier this year, resolutions were passed calling for industrial action in the event of legal challenges or in the event of threats to the closed shop.

NUS leaders do not anticipate a significant degree of membership resistance to the increase in subscriptions. However, the union is taking e notably step-by-step approach on the proposal, referring it to branch meetings in advance of the national delegate meeting.

This cautious approach comes after the union had to abandon a 50p-a-week levy on its members in support of the miners after an individual member challenged the decision in the High Court.

U.S. SYSTEM OF RIGOROUS SUPERVISION UNWELCOME

Radical bank reforms unlikely

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE DECISION by Mr Nigel Lawson, Chancellor of the Exchequer, to appoint a committee to investigate UK banking supervision can have come as no surprise after the commotion over the rescue of Johnson Matthey Bankers.

Although it looks like the classic government response to an affair which was highly embarrassing, especially for the Bank of England, there are faults in the UK system of supervision which need investigation.

It would be surprising, however, if the inquiry resulted in more than minor modifications to the 1979 Banking Act, which gives the Bank statutory powers but leaves much to informal methods. The Bank is certainly not looking for radical reform, nor is the Treasury of the City of London.

The alternative, a U.S. system of rigorous examination, would be unwelcome, even if it was a guarantee against bank failures, which it clearly is not.

The Bank is delaying drawing the final lessons from the JMB affair because it has not completed its investigation of the loan book to find out what went wrong.

Questions that need to be answered include:

● Why did the full extent of JMB's troubles take so long to emerge?

● Why did the Bank not learn earlier that separate loans on JMB's books were actually mostly to companies within the troubled El Saeed shipping empire.

● Was there a failure of communications between JMB, its auditors and the Bank?

Much hinges on the role of the auditor, which is one of the points that will be investigated by the committee. Even if JMB's auditors had uncovered some worrying or suspicious facts in JMB's books professional ethics would have prevented them from communicating their concern to anyone but the bank's directors.

There may be a case, in other countries, for establishing a register of approved auditors who are responsible to the authorities and the bank's board.

The case is particularly strong in the UK, because the Bank of England relies on information supplied to it by the banks rather than sending in its own people to examine the books.

Any respectable bank will respond to requests for information from the Bank, but the problem always arises with dishonest or incompetent management, and the Bank has no power under the Banking Act to demand the files, only to appoint an investigator.

The Bank's supervision department has 87 analysts, who have to cover more than 400 banks in one of the world's most complex and innovative markets. The department is the only one that is growing at a time when the Bank as a whole is cutting back.

Even so, the workload looks excessive and more may have to be hired, although to run a full-scale examination system would take a whole army of people.

Another point that is not on the agenda announced by the Chancellor but is likely for discussion, is whether greater disclosure by the banks would be a more effective discipline than strengthening the powers of the Bank.

The U.S. experience is again not particularly encouraging since the high levels of disclosure there did not prevent the Continental Illinois crisis. Under the present system in the UK, investors and depositors in banks have to believe that the Bank of England is doing a proper job since they lack the information with which to form their own judgments.

The Bank does not favour forcing the banks to reveal more about themselves – it is something that can cut both ways and the banks are certainly not keen, but tha public interest may demand it.

Since the Banking Act is now five years old, the committee will also be able to make a timely review of how well it is working, and there are one nr two less controversial points that could come up.

The Banking Act is all about licensing institutions to accept deposits, yet there is no satisfactory definition of just what e deposit is. The appeals procedure when the Bank revokes a licence could also be improved.

As the Chancellor's statement made clear, however, UK hanks can certainly expect to find the Bank keeping e closer eye on them regardless of the review. Whatever loopholes JMB may have exposed in the system, it has forced the Bank to repair its dented reputation.

Editorial comment, Page 12

State stake in Norton motorcycles bought out

BY JOHN GRIFFITHS

MANGANESE Bronze Holdings has acquired the Government's remaining shareholding – about 30 per cent – in the Norton Villiers Triumph (NVT) motorcycle concern for £375,000.

Manganese Bronze has completed its control over the loss-making motorcycle concern when prospects are eppearing to brighten for the rotary-engined Norton motorcycle it bas been developing for several years, and samples of which are about to be delivered to about 19 UK police forces.

In the last financial year NVT made a pre-tax loss of £610,100, compared with £555,500 in the previous year, but the performance is expected to improve as motorcycle sales get under way.

Sales of powered two-wheelers in the UK continued at a deeply depressed level last month.

A total of 8,482 were sold in November, 18 per cent down on the same period of 1983, according to Motor Cycle Association statistics. They brought the total for the first 11 months of this year to 138,868. It is now certain that total sales in 1984 will be well less than balf the 315,000 recorded in the last boom year of 1980.

Tudor warship restoration contract won

By Joan Gray

TAYLOR WOODROW, the construction company, has won a £450,000 contract to raise Henry VIII's finest warship, the Mary Rose, to an even keel for the first time for more than 400 years.

The ship sank suddenly with heavy loss of life in 1545, while the king watched the disaster from the shore. It is now lying on its side in a dry dock in Portsmouth dockyard, on the cradle and barge by which it was raised from the seabed two years ago.

The barge is beginning to deteriorate and the ship needs better support. The plan is to raise it upright and build a viewing gallery, so that visitors can see inside the warship.

Once the ship is in the right position, the cabins and decks, which were removed when it was raised from the sea, will be replaced, and the timbers treated to preserve them.

Recovery rate 'will peak next spring'

By Max Wilkinson

OFFICIAL economic indicators published yesterday cast further doubt on the view that Britain's recovery will run ont of steam early next year.

The longer leading indicator compiled by the Central Statistical Office rose in November for the fourth successive month, after a marked fall in the spring and early summer. This indicator is intended to predict economic turning-points a year ahead.

This decline led the statistical office to predict that the rate of economic expansion would peak next spring.

The statistical office's view appears to be supported by the Confederation of British Industry's December survey of manufacturing companies, which suggested that orders and output would continue to improve in the first four months of next year at about the same rate as during this summer.

The statistical office said yesterday it believed the economic cycle would reach a peak "sometime in early 1985."

It said, however, this could imply a slower rate of growth rather than an absolute decline in economic activity.

Interpretation of the figures has been complicated by the miners' strike and because the shorter leading indicator, which predicts activity 6 months ahead, has declined fairly steadily this year.

Some economists believe, however, that the traditional cyclical pattern of the economy has been broken and that the period of growth may be longer and more moderate than past experience would suggest.

MACHINISTS' DISPUTE CONTINUES TO HALT CAR OUTPUT

Ford peace plan rejected

BY BRIAN GROOM, LABOUR STAFF

LOCAL union officials for Ford's 270 sewing machinists yesterday unanimously rejected company proposals aimed at ending their month-long strike over a grading claim which has halted the UK output of the company's cars. They called for more talks, but even if these break the deadlock, Ford car production will remain halted until the new year.

The dispute has caused 8,500 of Ford's 40,500 manual workers to be laid off without pay and delayed the 7 per cent annual wage rise. It has prevented output of 38,000 vehicles worth £219m at showroom value, although any real losses have been lessened by high stocks and the Christmas sales lull.

Ford's peace formula was for the machinists' jobs to be examined by two company assessors, supervised by an independent chairman with expertise in job evaluation and with a trade union observer.

Mr Ron Todd, general secretary elect of the main union, the Transport and General Workers, said the formula was rejected because the method, and the personnel to be engaged in the review, meant the claim could not possibly succeed.

The 17-year-old demand of the machinists, mainly women who sew car seats and headrests at Dagenham in Essex and Halewood on Merseyside, is for promotion from the grade B pay band to grade C, raising their basic pay by £6.67 to £144.64 a week under the new rates.

Ford was disappointed by the decision. The women said they would go back only if the assessment was by outsiders. They set two conditions:

● The review must compare their skills, characteristic by characteristic with those of about four to six male jobs in grade C, which includes welders, metal finishers, body repair men and the men who cut the cloth which the women sew.

● It should be carried out by independent specialists from the Advisory, Conciliation and Arbitration Service panel of job evaluation experts.

Strikes 'cost Vauxhall £20m'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

STRIKES in West Germany and Britain cost Vauxhall Motors, General Motors' UK subsidiary, well over £20m this year, and the best the company can now hope for is to break even in 1984, Mr John Fleming, chairman, said yesterday.

If output was uninterrupted during 1985, Vauxhall had the chance to make its first profit since 1978, be added. "We have the opportunity to become very profitable if we can come through a year without disruptions."

Vauxhall, which sells Vauxhall and Opel cars and vans in Britain, suffered a net loss of £1.1m in 1983, but that included an extraordinary charge of £3.8m for the sale of a subsidiary.

Since 1978, when it made a £2m net profit, Vauxhall has chalked up net losses totalling over £210m, although in recent years some of them were incurred by the Bedford commercial vehicle business which was transferred to another part of GM at the beginning of 1983.

The big impact on the year's finances, Mr Fleming said, was the seven-week strike of metalworkers in West Germany during the summer, which halted output at the GM Opel factories which not only supplied assembled cars to Vauxhall but also many kits for assembly

A short dock strike which followed the end of the West German dispute and a two-week pay strike et the Vauxhall assembly plants in Britain compounded the losses.

Mr Fleming revealed that Vauxhall expects to sell 282,000 cars in 1984, a 7½ per cent increase on the 262,000 for last year. This record volume would also give a peak market share of over 16 per cent for 1984 (up from 14.6 per cent).

In 1985 Vauxhall forecasts that the total UK new car market will remain about the same as this year, at 1.75m, but that its own volume will jump by another 12 per cent to 315,000 to give a market share of 18 per cent.

Mr Fleming said Vauxhall's production next year should be 206,400 cars and 20,180 vans, which indicates about 62 per cent of the vehicles sold will be built in Britain. This compares with under 50 per cent in 1983 and only 41 per cent so far this year.

Of the 1985 production total, about 100,000 will be Astra cars and 20,180 Astra vans built at the Ellesmere Port plant on Merseyside.

Mr Fleming revealed that teething troubles with some of the £50m equipment for the new Astra was holding back output to 20 cars an hour, against the schedule of 25 an hour, and causing a build-up of orders.

The Luton plant in Bedfordshire, however, was producing 30 Cavalier models an bour on two shifts – the biggest output the plant has yet reached – which is an annual rate of roughly 100,000.

Stricter conditions on loan scheme

By Andrew Arends

THE GOVERNMENT is extending the Loan Guarantee Scheme until the end nf 1985, but with stricter conditions for appraising and monitoring new loans and a ceiling of £50m on total lending, it was announced in London yesterday.

Mr David Trippier, junior industry minister with responsibility for small businesses, said the changes were designed to improve the scheme, which bad come under fire from the Treasury for being too costly.

Mr Trippier said the results of the scheme had not been encouraging. The failure rate of businesses covered by the scheme was running at about 40 per cent. In financial terms about £63m of the £510m in bank loans covered had been called in by banks.

From the new year the Department of Trade and Industry will require lenders to insist on minimum conditions from applicants.

Although details of these conditions have yet to be worked out with the banks, Mr Trippier said the appraisal of new applicants would be based on the presentation of a detailed business plan to the banks. Businesses receiving new loans would be required to present regular financial reports on their condition to the banks. If the companies failed to provide these figures the banks could then call in the loans.

Most of the conditions of the scheme remain unchanged. The Government will provide guarantees covering 70 per cent of loans by participating banks and institutions, particularly the big four banks and ICFC. The premium levied on borrowers to finance losses stays at 5 per cent.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

"THE BRITISH have always been brilliant creative engineers but are far less successful in exploiting technology," says Nick Beale, the 28-year-old managing director of Beale Electronics. "We decided we would really concentrate on what we knew . . . which is the management of brilliant engineers to solve real problems."

Beale Electronics, founded 21 years ago by Nick Beale's father, has operated mainly as a specialist consultancy. Now it may be close to an important commercial breakthrough with a product which could have widespread application in industry. Beale has developed an advanced communications system, Hilan, which uses optical fibres for linking factory automation equipment and has attracted interest from some of the world's leading companies.

Beale Electronics is now struggling with the same difficulties that beset many a small company in the high technology field—particularly one where the product is primarily aimed at large organisations. These problems include inadequate finance, lack of marketing muscle, low credibility and insufficient resources to compete with other companies entering the field.

However, Beale has recognised those problems and moved some way towards tackling them even though it is anxiously waiting the first sales of Hilan.

Partly because of the relatively small number of players in its particular field and partly because of a growing international reputation for its technology, Beale has managed to establish confidentiality agreements with at least eight major U.S. and European companies which are interested in taking a licence on it. British Aerospace's Warton Division has been conducting a trial of the systems which can link every British software company and a subsidiary of BP, has been looking at it very closely.

The potential market for systems like Beale's is enormous. The rapid growth of automation and computer controls in industry is creating an equally strong need for sophisticated communication systems which can link everything together. Unlike the office, the environment on the shopfloor or in a process plant is often very hostile—both electronically and physically—for sophisticated communications. More important, any breakdown in a communications network can be far more expensive than in the office because it will mean lost production.

Beale believes it is the first company to have o working solution to these problems. It has developed a local area network (LAN) for industrial

Nick Beale: "strength in engineering innovation"

How a minnow is muscling in on the network

Jason Crisp on Beale Electronics' plans for linking machines in automated factories

applications which will continue to work even if part of the cable is damaged or any of the devices connected to it break down. Because it uses optical fibres the network can be used in a hazardous environment like an oil refinery as there is no danger of sparks and it is not affected by electrical interference.

Although industrial LANs are only beginning to be installed the potential is huge. Beale estimates the fibre optic industrial local networks markets will exceed $270m in 1987. "Data networks will become as important to industry as the electricity supply," says Nick Beale.

The vital requirement for any network of this type is that it conforms with internationally accepted technical standards so that equipment from other companies can be readily connected to it. It is an indication of the company's expertise in the field that Nick Beale is not only on the U.S. committee (IEEE 802.5) which will establish the standard for token rings, a general type of LAN which is favoured by IBM, but he is also chairman of the specific working party writing the standard for reconfiguring rings like Hilan. The IEEE standard will almost certainly become the international one.

"I was flabbergasted at being asked to do it," says Beale. The choice had to be made from the fairly small group of world experts in the field and he believes that the reason he was chosen was "because I had come along with sensible proposals and was not from IBM or Hitachi which made it easier for others to accept me."

Clearly Beale is now in a strong position to ensure his own company's products conform to any standard and is very well placed to spot the latest developments in the industry.

He believes many small companies fall into the trap of devising a smart product in isolation before springing it on the world. "Tradition, the traditional way would have been to develop the product in the attic here," says Beale at the company's offices outside Staines. "But we have been talking to the very big groups and getting involved with the users, with the licencees and with the standards."

Beale has had a much harder time sorting out its finances not least because the development of Hilan has been a major drain on its resources. Two years ago the company was trading at a loss; it was undercapitalised and was refinanced in June 1983. After several complications the company has recently been further refinanced with a rights issue of just under £250,000 to pay for the enormous development costs of Hilan. In addition to the family the main shareholder is Thames Valley Ventures, owned by British Rail Pension Fund, and a much smaller stake is held by Investors in Industry.

Beale is also to reorganise the company so that Hilan becomes a separate subsidiary. Beale's main business is consultancy and flow monitoring equipment and it specialises in difficult measurement tasks such as coal at power stations. Beale now needs substantial sums to develop Hilan into a commercial product. It plans to raise a further £500,000 early next year which would almost double its total equity and then raise the equivalent of $1m in the autumn to set up an operation in the U.S., which will be by far the largest market for this type of product.

The first £50,000 is intended to give Beale a clear nine months to continue developing Hilan even if it does not attract any licence income. Although Beale will manufacture the network—essentially optical fibre cables with "black boxes"—the company's main strategy is to license other organisations to make and sell Hilan. "I think it is essential that this should be sold by the major players in the industry," says Beale.

The company wants to retain the experience of producing the system but acknowledges it is not nearly big enough to supply the market. The company believes its strength is in engineering innovation and does not want to become a manufacturing company.

Beale is clearly trying to play in a major league. If it succeeds the rewards could be enormous. At the same time it faces formidable competition from companies like IBM and some of the leading Japanese companies which are putting considerable effort into industrial automation systems. Much now depends on its ability to raise the additional finance to continue development and the signing of licencees among the leading computer and industrial equipment companies.

Don't bank on it until sales are paid for

The HOW TO of... CREDIT CONTROL

MOST BUSINESSES are not banks; they merely act like them—badly—day in and day out. They do so by lending money to their customers through selling goods and services on credit. They are bad bankers because they earn no interest on what they have lent.

Understanding this is vital to *effective credit control*. The point is that invoiced sales are not really sales at all until the customer has actually paid. The transaction remains a free loan while cash is outstanding. Living off such free loans is fair game in business life.

But *all games have rules* and, happily, in credit control the supplier writes the most important ones—the terms of trade. The business that neglects to state these terms on the relevant stationery risks trouble. It relies on a customer's moral obligation to pay in reasonable time and could be subjected to long delays if legal action became necessary to recover money owing. Alas, many small businesses make exactly this mistake.

So the first rule is to state the other rules clearly, such as, "Conditions of sale *strictly 30 days* net from date of invoice." Although the "*strictly*" *is not necessary* it gives the impression that defaulters will be pursued. Stating the terms will also remind you not to delay in getting invoices out. If you cannot bill people on time, they may be tempted to see if you are sloppy enough to overlook their not paying for several months.

Testing credit control in this way pays off so often that people try it on as a matter of course. They usually find that many small businesses fail to blow the whistle when a customer starts infringing the rules.

So keep a list of when payments are due, allow seven days' grace for postal delays, then start chasing. Don't hold back—many businesses stretch their credit very successfully by never paying until pressed.

Sending a letter is usually easier than using the telephone because it avoids your having to steel yourself for direct contact. But take care to address the right person, get your facts right about the debt, reiterate your terms of trade to emphasise your rights in the matter, and demand payment.

To cater for payment having crossed a letter in the post, don't suggest that the letter be ignored if this is the case. Rather, urge: "Please telephone immediately so that we can amend our records."

This implies that you put a black mark against people who have to be reminded to pay, with implications that future credit might be affected.

A letter should also contain a threat. This might be to pass the matter on to a debt collection company or to take further credit, or deliveries to regular customers. Anything legal can be threatened but bluff should not be used — be prepared to do what you say.

If the phone is used, the rules of direct customer contact and the techniques of selling apply. Avoid conflict and get a commitment to action. To stiffen your resolve, try taking a deep breath and repeating to yourself, "this business is not a bank," before you pick up the phone.

Large companies will usually have their own systems, paying on set days, such as the second Friday after the end of the month in which a settlement has become due. Their payments will be late but it will probably not be worthwhile to try to break such a system, so live with it. Concentrate on payents that can be speeded up.

Of course, there is another side to all of this. Since free loans in the form of trade credit comprise the cheapest source of working capital available, you should be trying to stretch your creditors as much as you can — while you squeeze your debtors for all you are worth.

IHF

Duo with designs on textiles

Ian Hamilton Fazey reports on the winners of a Shell UK 'Livewire' award

AS EVE HUGHES put it, having just been presented with an award-winner's cheque for £500, she and Cathy Birch quite literally had nothing to lose. "Things could not possibly have got worse and we *certainly could not have become* any poorer," she said.

They were unemployed at the time. Hughes's assets were an MA from Birmingham Polytechnic in fashion textiles and a BA from Kidderminster College of Further Education in carpet design. Birch was a graduate of Leeds Art College, where she studied textile design.

They met while working for a small carpet company in Leeds that closed down when sales dwindled, and then embarked on what could be described as a classic start-up — coupled with good fortune. The good luck, as they admit, was that Leeds City Council has a pump-priming policy for cases like theirs, when it is difficult for people to raise money by conventional means. For Hughes, 26, and Birch, 23, faced the basic problem of most young people wanting to create their own jobs — no tangible assets to offer as security for loans.

What they knew they could do was design and make hand-tufted rugs and wallhanginga. These might be bespoke items — incorporating a company's *logo, for example — or* individually designed by themselves or practising artists, or ordered by architects.

But how to convince potential backers was the problem. Hughes and Birch knew that their business plan had got to be very persuasive. They spent five months on the dole working it out after taking advice from their local enterprise agency, Leeds Business Ventures.

First, they calculated the market they could reach through their own contacts. This gave them a base for assessing what they might expect as a first-year sales volume. They went to exhibitions and trade fairs to get a feel for the marketplace. Then they started looking at likely prices.

Their approach here was classic: they looked round the market at what the competition was charging and then began analysing their own likely costs and production methods to see if they could undercut everyone. Their products are not cheap but, at an average price of around £100 per sq matre, they reckoned they could be very competitive.

The figures impressed Leeds City Council's loans and grants panel, which gave them £1,500. Councillor Lorna Cohen, who chairs the panel, says: "They had no collateral and stood no chance in the finance stakes without someone taking the plunge to back them."

The panel's money encouraged the Jubilee and Prince's Trust, which also tries to help young people into self-employment, to give another £2,000. These acts of faith proved sufficient for the Co-op Bank to advance an unsecured £2,000. *The final* leg-up *came from the* Government's Enterprise Allowance Scheme, which gave the two women the standard £40 a week each for a year.

They started trading in the summer as Cathy and Eve Textile Designers and sales have surpassed their forecasts. "We prepared high, low and most likely sales forecasts," Birch says. "After only four months we were 34 per cent up on the most likely figure and ahead of tha high one."

Their impressive designs should ensure that first-year turnover projections of £48,000 are exceeded. The targetted average price is being achieved with a product range of £80 to £200 per sq metre, depending on the complexity of work involved. Most important, they are making their budgeted profit margin of one-third on costs. They employ two part-timers and expect to take on more in the new year.

Last week Birch and Hughes won the £500 first prize in Shell UK's "Livewire" awards scheme for young people creating their own jobs, now in its fourth year. The grit that got them out of unemployment was never far away, however, as they calculated the production lost in travelling to London to collect the cheque. They worked flat out all Saturday and Sunday to make up.

THE ARTS

London Galleries/William Packer

The marriage of fine art and fine craft

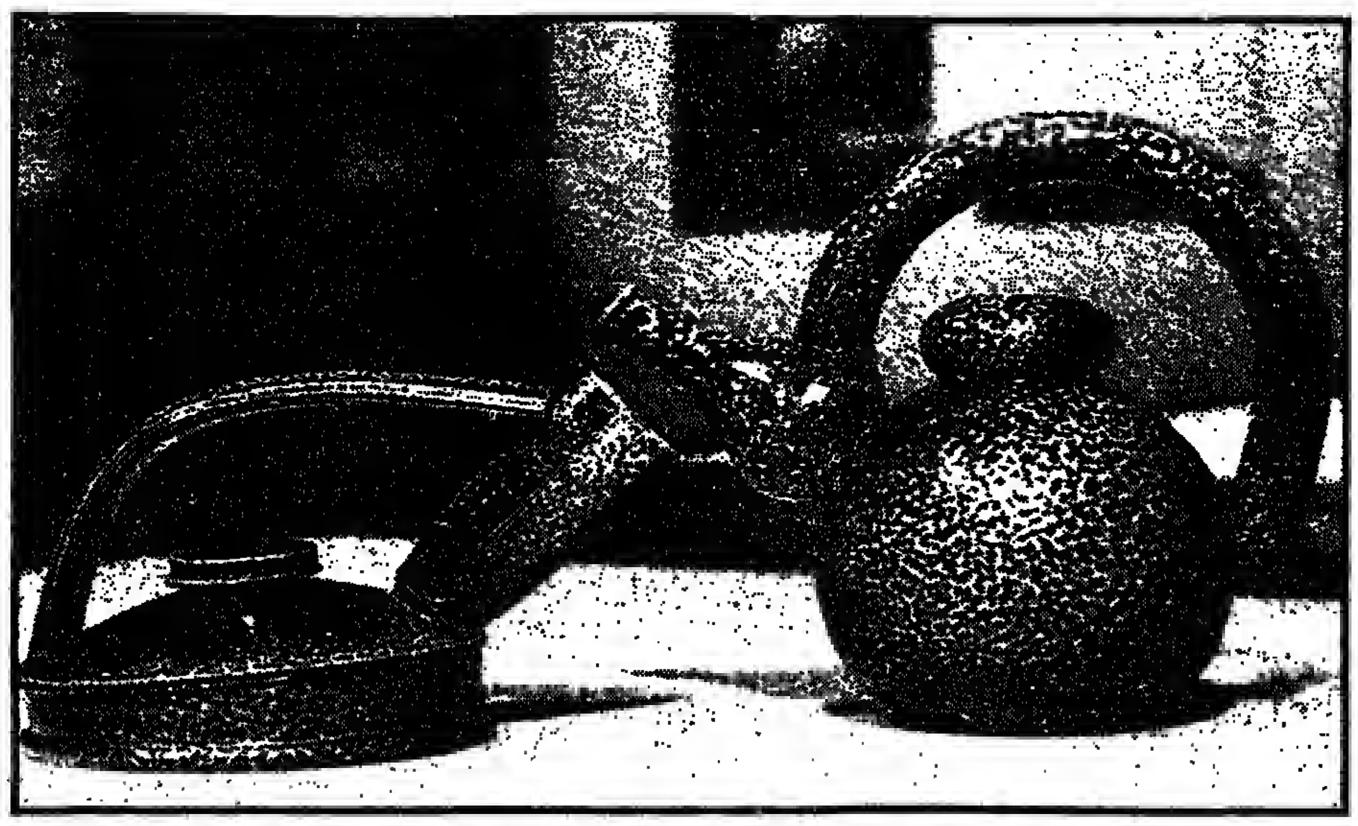
With painting and sculpture there is in ours, as in all civilised societies, a general understanding that the real thing, that is to say the artist's original handiwork, though not necessarily to be preferred, is somehow better even so than its reproduction or reflection. The understanding lies so deep as to seem more instinctive than conscious — dormant even, for it is hardly acted on in any obvious general sense. Perhaps it is fear as much as cost that puts us off: fear that a personal commitment to an unique object must make us conspicuous and thus vulnerable in our particular taste and judgment. Perhaps so: and indeed it is comforting to know that what we have, others have too, and our money has not been thrown away on an arbitrary, unvalidated whim. But the thought hangs still in the mind that had the nerve held, something very special might have been picked up, and a great mystery and valuable secret penetrated.

Such is the private reproach which drives the curious public into our museums and dealers' galleries of modern art, and the sceptical and uncertain portions of it to puzzle fury at what they find there. But attention is at least interest of a sort, in which respect indeed the contemporary fine arts could do a great deal worse. With the fine crafts, however, the position is less straight-forward, and less happy.

For the crafts, and the craftsman in his relation to society, are taken by the general public in an altogether different way. Artists are artists after all, and thus at a certain and safe remove in what they do; but the craftsman surely is more, indeed should be, directly accountable and responsive to public expectation in what he does. The very idea that there is such a creature as the fine craftsman, who aspires, moreover, to the critical standing and responsibilities of the artist is, we might think, now indeed, and highly questionable. Craftsmen make useful things, more or less pretty or refined or unusual, always fairly cheap, and they really should know their place. Imaginative and beautiful things, experimental and challenging perhaps, finely made and thus necessarily comparatively expensive, are all very well, but hardly what the modern crafts shonld be about.

The sad irony is, of colrse, that the very accessibility of the crafts, through the duties of usefulness wished upon them hy an innocent public, should be a great and wonderfully subversive strength. When every table set for hreakfast carries formal abstractions made respectable by practical use, and no doubt the nicest personal discrimination in its purchase, the opportunity is there to be exploited if only discrimination can be persuaded to look beyond the mass-produced to the particular, the special and, above all, the fine. We have artists enough with the wit and skill to satisfy just such requirements in the things with which we furnish our lives, but they must be approached and asked, they may call themselves not painter bnt potter, or jeweller, hasket-maker, joioer, weaver.

And it may well be that at the end of the exercise we have paid so much, that is so special to us and so precious, that we dare not use it. But we must remember that as much is true of all great art, which is used imaginatively and in the mind rather than directly by the hand. We have no difficulty in accepting such things historically after all, for our great collections are stuffed with the treasures of every culture and every age, the jewels and pots, the tapestries and lace, *objects d'art* indeed. And still our collective heart skips a beat when another Ming jar is found in a greenhouse full of bulbs or holding back the door.



Two wood-fired teapots in salt-glazed stoneware by Walter Keeler, on display in the Crafts Council touring exhibition, New Domestic Pottery, at the Craft Centre in Waterloo Place, London.

The Crafts Council Gallery's current offering (12 Waterloo Place, SW1; until February 3—closed Mondays and over Christmas—then on tour) is a remarkable and most timely double-bill, given this argument. The larger space is occupied by a choice survey of contemporary tableware, glossed as the "New Domestic Pottery," and it is exactly that, a catholic demonstration of what is being done now within the accepted constraints of kitchen and dining room—dinner services, storage jars, casseroles, tea pots, jugs, cups and saucers.

It may all come as something of a surprise, if not a shock to the unsuspecting visitor for whom new domestic pottery means no more than a trip to the Reject Shop or Peter Jones. The nearest it comes to anything like mass-production is in the range that Janice Tchalenko has designed for the Dartington Pottery, with its open, dappled decoration, like hright shadows beneath the trees. For the rest the work comes directly from the artist's band, or at least his workshop, informed by particular character and method. Some of it is firmly traditional, the Youngs' range of raw-glazed stoneware for example, and Jane Hamlyn's discreetly decorated casseroles; some more consciously idiosyncratic in its invention, David Garland's more free and painterly glazes and his rather take-it-or-leave-it shapes, and Walter Keeler's eccentric pots and jugs: all of it is beautifully made.

The smaller space is given over to a retrospective show of the work of David Pye, who is here described as a wood-carver and turner, and is besides a most distinguished and influential teacher (late of the RCA) and theoretician of the philosophy, the morality even, of craftsmanship and design. He makes bowls and dishes, and small boxes that can only be called exquisite, and every one is an exploration of a form, the taking of an opportunity, and the clear celebration of the wood of which it is made.

The method is scrupulous and infinitely painstaking in detail, nothing hurried or short-cut, every piece unique, to be respected for the terms it sets, and the demands it makes of the artist. The bowls and dishes are carved out by hand, the boxes turned on a foot-powered lathe, so that it is no machine but the hand and eye that are ever in control. Such slow process and rigid self-discipline hardly make for a mass of work, and the steadiness and consistency of what Pye does produce, its unfailing excellence and yet unyielding perfectionism and the apparent uniformity of his materials, conspire to give it all a somewhat forbidding and dour appearance at first encounter—for all decoration lies either with the substance of the wood alone, or with also the method and manner of its working. But then a moment's pause allows at least a glimpse at the qualities that informe all Pye's work, and lengthier consideration reveals not all, perhaps much, much more of its subtle beauty and refinement.

Special provision is made for blind and partially-sighted visitors to Pye's part of the exhibition; and his work is for sale, though collection must wait upon the conclusion of what is a long tour. The domestic pottery is not for sale directly, hut inquiries are referred to the artists, and many of them do have work in the Christmas exhibition, now in its law few days, at the British Crafts Centre in Earlham Street, Covent Garden.

Elly Ameling/St John's

David Murray

To her BBC Lunchtime Concert yesterday, Miss Ameling stuck to Schubert; and not just to Schubert, but mostly to Schubert in a particular mood—gently melodious, serene, even fragile. It is a mood that suits the soprano to a T, though it made a recital that was much of a lyrical muchness, and so many stars and moons and vaguely melancholy twilights were meteorologically odd on a dank midday in Smith Square. At the end of the programme the "Horch, horch, die Lerch" serenade was only a little less dreamy than the rest.

Miss Ameling's timbre isn't altogether as silvery as of yore, nor her breath-control quite as seamless, but each song was delicately poised and shaped. Her accompanist was Rudolf Jansen, who reminded us in the opening bars of the first song, "Im Abendrot," of his own almost-vocal skill in phrasing that needs subtle imagination. Where a lullaby-lilt was required (and not only in the "Wiegenlied") he insinuated it charmingly, and in general provided a perfect foil for his singer.

In fact the "Wiegenlied" got one of the loveliest performances, ravishingly floated without an uncertain breath. In mid-programme two darker songs, "Schwestergruss" (about a revenant sister) and "Das Mädchens Klage," offered some dramatic contrast to the prevailing sweetness and misty light, though Miss Ameling treated them in special inverted commas, at a careful aesthetic distance. Much the most striking creation was the long "Abendbilder" fantasy, which exercised her refined powers marvellously: the variety of tremulous suggestions and visionary half-lights—all effortless and limpid—revealed the serious artist at her best.

Lou Reed/Academy, Brixton

Antony Thorncroft

It is difficult not to have ambivalent feelings about those rock stars who have passed through the purgatory of hard drugs and survived. You are pleased, and slightly surprised, that they are still with us, and performing, but you know that their act is going to be much sanitised.

In the old days a Lou Reed concert was the nearest thing to watching the lions make messy work of the Christians at the Coliseum. There was a constant chance that this time Reed would not survive.

In fact I began to feel cheated. How many times in the past did he twist the microphone lead round his arm as he simulated a heroin fix while singing in his deathless voice "Heroin"; how often, face hidden by dark glasses, thin body desiccated, a lost soul accepting and fighting addiction, was he "Waiting for the man." The drug dealer? Lou Reed, the moving spirit behind Velvet Underground, the pop group taken up by Andy Warhol, end the most blatant publicists for sex, and drugs, and rock and roll—and a short life—seemed somehow to survive the 60s then the 70s. Was it all a sham, a profitable piece of self-parody?

Now we know. Lou Reed is alive and healthy and drug-free. He sings of fast bikes, going to the theatres, matrimony. He is a spruce-looking guy in a black tee shirt and his early 40s. He might apologetically play an old Underground song, a blistering version of "White Light, White Heat," but at the Academy, before a packed crowd, he was just like any good American rock and roller with an excellent band and an escapist repertoire.

His most subversive song was "My Red Joystick" in the style of James Brown; for the rest it was pleasant but unmoving. I'm glad he has reformed and leads a good life, but it seems rather tame for one of the great rock fantasists and most voyeuristic performers.

Beauty and the Beast/Bristol

Rodney Milnes

Bristol Grammar School has been quick of the mark with a contribution to European Music Year, which does not start for a fortnight—David Selwyn's full-length, rather grand opera *Beauty and the Beast*. It is more specifically a contribution to "British Opera in Retrospect," sponsored by the British Music Society, and the uncharitable listener might remark that what British opera there is has been well and truly saluted in this ambitious score; Dunstable's song O rosa bella permeates the musical fabric, and much well-digested Britten and Vaughan Williams is seasoned with rauturously modulating Straussiana (the European dimension), a of *Sprechgesang*, some tactful neo-pop and a brief, witty moment of jazz.

But Selwyn's eclecticism is purposeful in that from his chosen masters he has learnt how to shape a scene, build a theatrical climax, recall recognisable motifs with profit, and sustain musico-dramatic interest without ever talking down to either performers or audience. The score is not easy, and challenges those taking part in every way.

The forces are massive—full orchestra frequently in full cry, an off-stage adult chorus that could profitably have taken instruction in diction from the exemplary on-stage children's group, large cast—possibly too massive for so simple a story, but this particular fairy-tale can take some emotional weight, and Selwyn has sensibly tailored his treatment to the forces available. His own libretto could take a little trimming: "Yet somehow I can't help thinking of him" sings Beauty, unnecessarily—in opera it is music's job to do the thinking. The composer might also consider selecting one of the three endings he has so generously supplied, but I suppose the same could be said of *Rosenkavalier*, by which one of them (the last) is inspired.

Last Saturday's performance was extremely impressive. Perhaps a conductor more flexible than Selwyn himself might have managed more variety of pace, but his direction of what is plainly a deeply felt score glowed with passionate commitment. In terms of the BGS Great Hall, which lacks a stage let alone wings, Derek Lucas's production was a miracle of ingenuity (there are eight scene changes).

The only professional singer was Kent Opera's Andrew Shore, a strongly projected, rather presentable Beast who needed only a shave end a trim to become the ideal husband. Susan Weaver (Beauty) and Meirion Ashton (Nurse) have apparently been a formidable local Aida and Amneris, and one can see why—both have well - schooled, powerful sopranos. Beauty's kid brothers—Chris Williams, Joss Adams and Andrew Orchard—were real little stars, bless them. The opera played for four nights to packed houses: BGS can rightly feel very pleased with itself.

Time to act on the City's pictures

Gillian Darley

When the City Corporation's collection of pictures was taken down in October, after a triumphant nine-month exhibition at the Barbican Art Gallery, a few were left behind to complement the Tissot exhibition. Those, and the handful scattered around the offices and principal buildings belonging to the City Corporation, are all we shall see from now on because the collection—despite its great importance—has no home of its own. Until enemy action reduced the old Guildhall Art Gallery to the ground it was a public art collection consisting of more than 1,000 items. Since the war, despite its temporary and unsatisfactory accommodation, many more items have been added.

If one were cynical, the Barbican exhibition might suggest that someone was attempting to provide a distraction. The pnblice have been busy looking at the piece of velvet and had not noticed that the conjurer has removed the rabbit underground (rather literally, in this case). Once, hack in 1972, there were well-advanced designs for a gallery, by Sir Giles Scott, Son & Partners, to replace the bombed Guildhall Art Gallery as part of the redevelopment of the Guildhall site. Then financial stringencies caused that part of the plan to be shelved. The site next to the Guildhall, with its single-storey building which housed a selection of the pictures until recently, remained in limbo. Now, discussions on redevelopment of that site are again taking place but, so far, there is no word of new premises for a City art gallery (the Barbican's is quite clearly for temporary exhibitions).

Yet the doubling of function, as already occurs in the temporary space (and happens anywhere that funds are required, from the Royal Academy on), would allow the pictures to be viewed once more as intended while City functions could be accommodated in a room, or rooms, of unusual elegance and interest. Thus the art gallery would not he seen as a drain on resonrces, without further justification beyond the cultural one, and the City would be doubly advantaged.

Many of those most concerned with the showing of art to the public, including a goodly bunch of directors of the national collection, are deeply concerned about the lack of future provision for the City Corporation collection. They sense a cavalier attitude, which does not take acount of the prestige of the collection and its considerable potential, asan assettothecultural life of the City. The painting are highly representative of Victorian commercial taste, now of enormous interest as much in the history of the art marketas for the increasing stature of the artists themselves. Only a philistine observer would dismiss them as "just Victorian" which might have passed for an excuse in the 1950s nr even 1960s. But the collection has a wider compass than merely high Victorian art, with a very considerable emphasis on City lopography and portraiture from different periods.

Those who have seen the National Gallery extension battle continue over the last few years are bound to conclude that valuable lessons have been learned from that. Cannot the City combine office premises and gallery (with necessary storage and conservation, of course) in a financially and architecturally adventurous fashion? A prime site, perfect for a properly regulated competition, or a rigorous brief extended to the right architect—the prospect seems irresistible.

It would be a scandal, an example of utter philistinism, to demote the City Corporation's collection to the status of loan collection to the City, with occasional airings for temporary exhibitions. The Barbican exhibition showed the public the calibre of what is there; the number of visitnrs waa proof enough of interest. Now is the time to giev it a permanent home hut in a gallery of its own; on the walls, and not in some suhterranean storage system.

Per Musica/Elizabeth Hall

Andrew Clements

The 40-strong chamber orchestra Per Musica is made up of young professionals, mainly from the Netherlands and Great Britain, who first played together as members of the European Community Youth Orchestra. Under its artistic director Julian Reynolds, the group made its debut in London a year ago, and now meets regularly for concert series around Europe. Sunday's appearance in the Elizabeth Hall ended a short tour of Britain.

If there sometimes seems to be an embarrassment of youthful ensembles and chamber orchestras, very few of them are as accomplished and vital as Per Musica. Their concert closed with Stravinsky's *Pulcinella*, the complete ballet: a feast of immaculate string chording, wittily turned wind solos (there appears to be no weakness in woodwind or brass sections) and scarcely contained exuberance. There was a trio of appropriately fresh-voiced soloists — Catherine Denley, Mark Tucker and Peter Harvey —delivering their songs with great skill. Mr Reynolds kept a tight, not unsmiling check on things; he allowed his players to make his points for him.

Schoenberg's second chamber symphony is as rarely performed as its predecessor is overexposed. It has neither the consistent inventiveness nor the cohesion of the First; though it contains some striking ideas. Per Musica shaped those moments eloquently; the opening flute solo was warm-toned, cocooned in lush strings, while the work's closing pages Mr Reynolds gave an astringent tang. But nothing could be done with the opening section of the second (and final) movement, save to delineate its thematic clutter as cleanly as possible.

Id Mennelssohn's first piano concerto the soloist was the Brazilian-born Jean-Louis Steuermann. He attacked the pice with uninhibited relish, sometimes over-pedalling in his enthusiasm, hut the accompaniment waa quick-witted, and the overall effect never less than enjoyable.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 14–20

Opera and Ballet

ITALY

Turin, Teatro Regio: I Due Foscari conducted by Maurizio Arena with Licino Montefusco and Nicola Martinucci (Wed). (548000).

Naples, Teatro San Carlo: Carmen Story, the Ballet based on Bizet's opera with choreography by Antonio Gades, directed by Peter Brook (Tue). (418266).

Milan, Teatro alla Scala: A new Carmen directed and with scenery by Piero Faggioni – based on his 1977 version for Glyndebourne. Conducted by Claudio Abbado with Placido Domingo and Shirley Verrett alternating with Agnes Baltsa and Jose Carreras, also in the cast are Ruggero Raimondi and Alide Ferrarini (Wed). (809126)

Rome, Teatro dell'Opera: An eccentric production of Don Giovanni by the French director, Jerome Savary, conducted by Peter Maag with Silvano Carroli in the title role, Bruno Pola as Leporello and Winnifred Faix-Brown as Donna Anna (Wed). (461755)

Florence, Teatro Communale: A splendidly successful co-production with the Royal Opera House, Covent Garden of La Traviata (Franco Zeffirelli's direction, scenery and costumes) with the young Italian star of bel canto, Cecilia Gasdia – also in the cast are Peter Dvorski, Giogio Zancanaro and Edith Martelli. Conducted by Carlos Kleiber (Tue and Thur). (216253)

LONDON

Royal Opera, Covent Garden: The new production of Der Rosenkavalier, a happy achievement by and large, is distinguished by Georg Solti's masterly conducting and by the radiant Marschallin of Kiri te Kanawa. The notorious multilingual knees-up that the Royal Opera is pleased to call Die Fledermaus returns this time with a new Eisenstein in Thomas Allen and with Julius Rudel making his London opera-conductor's debut.(2401066).

Royal Ballet, Covent Garden (2401066): Swan Lake (Wed).

Sadler's Wells, Rosebery Avenue: Sadler's Wells Royal Ballet opens a season oo Tuesday with a good quadruple hill, repeated on Wednesday. (2788916).

English National Opera. Coliseum: Tchaikovsky's Mazeppa, a rare, musically glorious, dramatically charged work, makes its London first stage appearance. Mark Elder conducts, David Alden produces and the cast includes Malcolm Donnelly. Janice Cairns, and Felicity Palmer. Other revivals: The Makropulos Case with the splendid Josephine Barstow as Janacek's 339-year-old heroine, a well-balanced Cosi fan tutte with Felicity Lott, and the much-admired Freudian reinterpretation by David Pountney, of Dvořák's Rusalka. (8363161).

WEST GERMANY

Berlin, Deutsche Oper: Hänsel und Gretel, the fairy tale opera, brings together Janis Martin and Helga Wisniewska as leads. Premiering this month is Hoffmann's Erzählungen, produced by Giancarlo Del Monaco, with Lucia Aliberti as Olympia and Neil Shicoff, in the title role, making his Berlin debut. This week's highlight is Don Carlos, with star singers Katia Ricciarelli, Agnes Baltsa and Martti Talvela. Der Barbier von Sevilla rounds off the week. (34381).

Hamburg, Staatsoper: Premiering this week is My Fair Lady, produced by Karl Wesseler. Boy Gobert plays Henry Higgins, with Gabriele Ramm as Eliza Doolittle. Fidelio is of respectable standard with Lisbeth Balslev, Franz Ferdinand Nentwig and Hans Sotin. Hänsel und Gretel features Elisabeth Steiner and Jutta-Renete Ihloff. Cosi fan tutte, a Götz Friedrich production, is conducted by Hans Zender, the oew director. (351151).

Frankfurt, Opera: Massenet's Werther sung in French is presented in a concert version. Alfredo Kraus appears in the title role. Ein Maskenball has Guiseppe Patane as guest conductor. Manon Lescaut has an excellent Rosalind Plowright in the title role. (25621).

Cologne, Opera: This week's productions are highlighted by a major revival of Ein Maskenball. Hänsel and Gretel is a good repertory performance. (20761).

Stuttgart, Württembergische Staatsoper: Idomeneo, a Harry Kupfer production with Carmen Reppel, Raili Viljakainen and Rüdiger Wohlers as well as Hänsel und Gretel and Cav and Pag. (20321)

Munich, Bayerische Staatsoper: Ariadne auf Naxos is worth seeing with Delores Ziegler, Margaret Price and Edite Gruberova in the main parts. Das Liebesverbot stars Hermann Prey and Sabine Hass. Pique Dame is cast with Helena Obraszowa, Julia Varady and Vladimir Atlantov. It is sung in Russian. Die Meistersinger von Nürnberg has fine interpretations by Carmen Reppel, Theo Adam and Martti Salminen. Ermanno Wolf-Ferrari's rarely-played Die Vier Grobiane rounds off the week. (21851).

PARIS

Operetta Season at the Théâtre Musical de Paris: La Fille de Mme Angot alternating with Strauss's Fledermaus combines high musical quality with the fireworks of a great show. TMP-Châtelet (2611983).

NEW YORK

Metropolitan Opera (Opera Bouse): James Levine conducts Elektra in the season's last two performances with Simon Boccanegra with Sherrill Milnes playing Verdi's powerful doge and Jean-Pierre Ponnelle's new production of La Clemenza di Tito. Il Barbiere di Siviglia is conducted by Silvio Varviso with mezzo Julia Hamari and baritone Leo Nucci. Lincoln Center. (3626000).

New York City Ballet (New York State Theater): The 81st season will have the 100th performance of The Nutcracker during its month-long performances. Lincoln Center (8705570).

Alvin Ailey American Dance Theatre (City Center): Mixed programmes of this local favourite include four New York premieres and three revivals. 55th E of 7th Av. (2466989).

WASHINGTON

Washington Opera (Terrace): The season continues with a new production of La Sonnambula and a revival of Menotti's The Medium & The Telephone. Kennedy Center (2543770).

American Ballet Theatre (Opera House): Three-week holiday engagement, now a local tradition, includes performances of Romeo and Juliet, Cinderella; choreography of Balanchine, Tharp, Cunningham and the world premiere of a work for 21 dancers by David Gordon to John Field's Seventh Piano Concerto. Ends Jan 6. Kennedy Center (2543770).

CHICAGO

Lyric Opera (Civic Opera): Final performances of J. Patrick Raftery as Figaro and Kathleen Kuhlmann as Rosina in Il Barbiere di Siviglia; Eva Marton as Richard Strauss's Die Frau ohne Schatten. (3322244).

NETHERLANDS

The National Ballet on tour with its Stravinsky programme, consisting of Agon, Monumentum Pro Gesualdo, Movements for Piano and Orchestra (all Balanchine) and Orfeo (Toer van Schayk). Mon in Venlo, de Maaspoort (43131), Tue, Wed (two performances) in Amsterdam, Stadsschouwburg (242311), Thur in Heerlen, Stadsschouwburg (716667).

Amsterdam, Stadsschouwburg: Netherlands Opera with La Fanciulla del West, directed by David Pountney. Cast headed by Karan Armstrong and Henk Smit, with the Utrecht Symphony Orchestra and the Netherlands Opera Choir conducted by Bohumil Gregor. (242311).

Scheveningen, Circus Theatre. The Netherlands Opera in the first performance this season of Massenet's Werther directed by Rhoda Levine, with decor and costumes by John Conklin. The Hague Philharmonic under Hans Vonk, with Sylvia Lindenstrand and Neil Rosenheim heading the soloists, and the Ad Hoc Children's choir (Thur). (558800).

BRUSSELS

Theatre Royale de la Monnaie: Pelleas and Melisande, conducted by Sylvain Cambreling, directed by Andre Delvaux with Jerome Pruett, Jose van Dam and Christine Barbaux (Tue). (2181211).

VIENNA

Staatsoper: Ariadne auf Naxos conducted by Hollreiser with Janowitz, Gruberova, Ziegler. Arabella conducted by Stein with Popp, Ghazarian, Weikl, the Nutcracker, choreographed by Grigorowitsch; Salome conducted by Hollreiser with Jones, Hesse, Slania, Weikl. (5324/2655).

Volksoper: La Boheme conducted by Marzendorfer, Die Fledermaus; Donizetti's Daughter of the Regiment. (5324/2657).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday December 18 1984

Spain's stance on Nato

FELIPE GONZALEZ, the Spanish Prime Minister, has learned to his cost that electoral pledges can be political millstones. His unequivocal promise during the 1982 elections to hold a refereodum on Spain's Nato membership boxed him into a corner from which he has been trying to escape ever since.

The aim of the referendum was to endorse the Socialist Party's neutralist stance, pulling Spain out of Nato which it had only joined a few months before the elections. But once in office Sr Gonzalez changed his mind on the value of the alliance to Spain and has been anxiously searching for means to get his government off the hook of this commitment.

It now looks as though he has at least partially succeeded. The party, albeit very reluctantly, has agreed to fall in behind Sr Gonzalez and accept his judgment that Nato membership is in Spain's best interests. Sr Gonzalez has always said he would defer to the party on this issue; but at last week's 30th congress of the Socialists it was clear that Sr Gonzalez was asking the party to defer to him.

To obtain this backing, Sr Gonzalez has drawn on the strength of his own remarkable personal popularity which remains undented after two years in power. Although Sr Gonzalez can only blame himself for tying himself in knots over Nato in the first place, he deserves credit for having realised the initial mistake and for now using the full force of his own political standing to rectify it.

Pragmatism

Back in 1977 Sr Gonzalez told the Soviet leadership that the Socialists would ensure that Spain remained neutral. His conversion, first made public this October, is the result of his own pragmatism. He has seen that Nato provides considerable benefits. It gives access to Western defence information and brings Spain fully into the counsels of Western decision-making. Spain's armaments industry has better opportunities in joint Nato procurement programmes. With Spain in Nato the presence of the U.S. bases in Spain can be far more easily accommodated and rationalised. Finally membership helps provide another framework for tackling Spain's claim to sovereignty over Gibraltar.

All these are valid arguments. The trouble is that the previous centrist government of Sr Calvo-Sotelo failed to put this case, while the Socialist and Communist parties have in the past made much of the fact that Spain took no part in either of Europe's two World Wars. There is a strong neutralist streak among Spaniards of all political persuasions and it is going to require a considerable educative process to get the Nato message across.

But Sr Gonzalez is obliged to do so because the referendum is still due to go ahead. It will probably take place in early February 1986. Sr Gonzalez is counting heavily on being able to sell his Nato policy by linking it to Spain's membership of the EEC.

His argument will be that Spain is being accepted as an EEC member partly because of its permanence in the alliance. This explains the February 1986 timetable. Sr Gonzales wants to be able to go into the final stages of the Nato referendum with accession signed on January 1, 1986.

Guarantee

Unfortunately there is no direct linkage between accession to Nato and to the Community. Herein lies the danger of the present situation. The EEC is still moving very slowly on resolving the outstanding issues of Spanish entry—though the wine problem should be settled this week. There is no guarantee that the accession timetable of January 1986 can be honoured. Under these circumstances Sr Gonzalez is going to have to find—or be given—some incentives to show his electorate if he is to gain popular backing today in Nato. All the polls still show a majority against.

A rebuff to Sr Gonzalez in the Nato referendum would be profoundly damaging to him and potentially destabilising to the country. Such an outcome would serve neither Spain nor Europe.

Sr Gonzalez may well have the standing to pull the referendum off by himself; but it would be greatly aided by a positive attitude to Spanish membership from the rest of the EEC.

Odd inquest into UK banking

THE Committee of Inquiry announced by the Chancellor of the Exchequer last night into the aftermath of the Johnson Matthey affair is obviously addressing some important and relevent questions; but it is not so obvious that this is the best way of finding an answer to them. The Governor of the Bank of England is no doubt more anxious than anyone else that the supervisory arrangements for which he is responsible are as effective as possible, but this does not mean that he is the right choice for an inquiry into a failure of those arrangements. Sir Peter Middleton's presence on the committee will ensure that the Governor cannot pull rank; but neither of them can have much time tot devote to a detailed post-mortem. There seems to be some confusion here between inquiry and analysis, the duty of the committee, and the policy decisions its senior members must make.

Their inquiry must be concerned with two main issues and one subsidiary one. The main issues are how the Bank of England, as supervisor, was unaware until so late in the day of the enormous losses being incurred by what is quite a small bank; this raises questions of the resources and powers of the Bank's supervisory arm. The second is how the management of the bank itself was able to drift into disaster. This will almost certainly be found to raise questions about the competence and the duties of bank auditors.

Workload

A somewhat subsidiary issue is that of the respective responsibilities of the Bank and the Treasury when trouble does arise. The Chancellor certainly gave the impression to the Commons yesterday that he was glad to be able to wash his hands of the whole affair; but if the committee concludes that the Treasury ought to be consulted where it is possible that public funds will be committed by way of guarantee—a necessity in this case to keep Johnson Matthey's lines of credit open—then Mr Lawson or his successor will find it hard to distance himself from the next episode.

The question of supervisory effectiveness should, in our judgment, be confined to just that. Hard cases make bad law, and one failure does not seem an adequate reason to consider jettisoning the whole British approach to bank supervision, which rests basically on a banking relationship. The Bank of England continually assesses the competence and reliability of all the banks it supervises, in the same way as any commercial bank does for its own inter-bank business; but as lender of last resort it expects and gets access to more detailed information than would be available to a commercial opposite number. It may be necessary to reinforce the Bank's powers of inquisition over the outer fringe of authorised banks, but the main question—which the Bank has no doubt been reviewing internally—is whether its supervisory division is big enough for its present workload.

However, any system short of full-scale bank examination is bound to be a system of management-by-exception, with most attention concentrated on known possible problems. It is precisely for this reason that a bank like Johnson Matthey, with an apparently sound record and credentials, does not attract early attention.

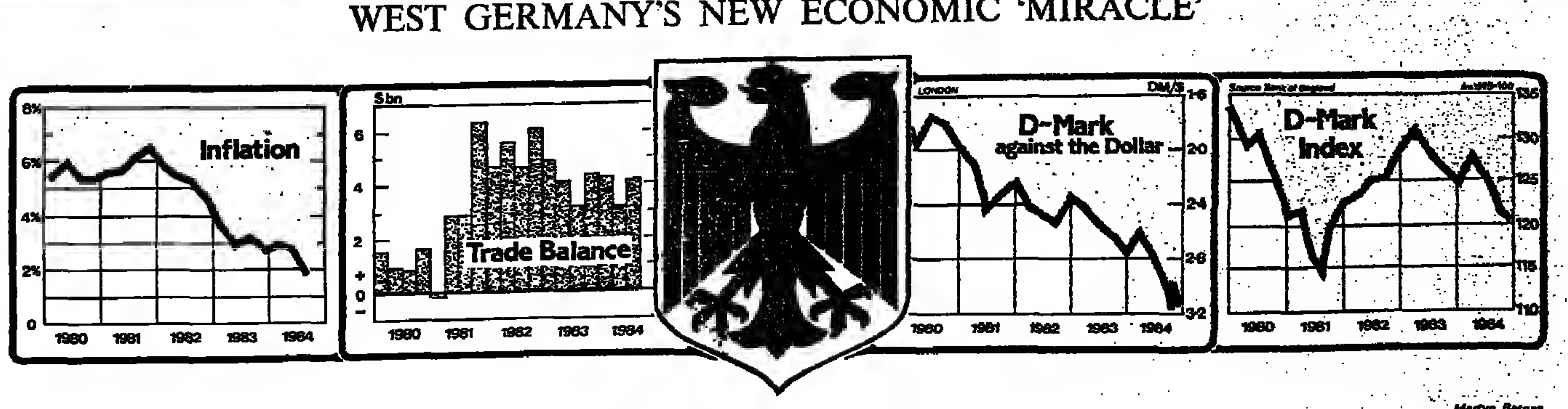
Licensed

Auditors, on the other hand, must make a detailed examination of every bank every year. But there is no guarantee of their competence — and their reputation in the City is not high. Furthermore, even the most percipient auditor faces a dilemma if he does find something disquieting. Like a Government with only nuclear weapons, he faces a stark choice between diplomacy, which may be ineffective, and the Armageddon of a qualification to the accounts.

It seems well worth asking whether bank auditors should not be licensed, as in some other countries, and whether they should not have the duty to discuss any doubts they feel with the supervisory authority. Under the present rules, their lips are sealed.

So, unfortunately, will the lips of the committee be sealed when its work is done. As a newspaper, we must declare an interest in arguing that this is not the right rule in such a case. Confidence would be better served by frank disclosure, as in any other inquest.

WEST GERMANY'S NEW ECONOMIC 'MIRACLE'



Martyn Barnes

An awesome mixture of the old and the new

By Jonathan Carr in Frankfurt

THOSE who believe in economic miracles could well argue that West Germany is now producing its third one in four decades.

After the "Wirtschaftswunder" of post-war reconstruction and the export boom coinciding with the first oil crisis of the mid-1970s, the German economy is again generating a performance awesome by most countries' standards.

There are some familiar elements in the present picture as well as new (for the Germans mainly encouraging) ones too. Shrugging off the impact of the metalworking and printing strikes in the spring, German exporters are pressing towards new records. In the first 10 months German deliveries abroad were worth DM 401bn, nearly 14 per cent more than in January-October 1983. The result is a trade surplus of DM 40.9bn compared with one of DM 34.6bn in the same period last year.

The strength of U.S. import demand linked to the high-flying dollar helps explain the German export boom — but it does not explain it away. German deliveries to the U.S. were up by 46 per cent to DM 37.2bn—but even with that sharp rise, the U.S. still accounts for less than 10 per cent of West German trade.

Just as striking, the Federal Republic boosted its visible surplus with other European

Business wishes the Government would get its act together

Community countries (which account for about one half of German trade) to DM 20.3bn in the first 10 months against DM 14.3bn in the same period of 1983. Also, because more than half its exports are investment goods, West Germany is gaining above-average benefit from the economic upswing in the industrialised world.

Nonetheless, the flood of orders now being booked by German industry, especially from abroad, shows a downturn is not just around the corner. Moreover the domestic economic and financial background shows that Germany's export competitiveness is not simply dollar-induced.

Despite sherply rising import prices (one reason why the Germans would not much mind seeing the D-Mark strengthen against the dollar), inflation is hovering at little more than 2 per cent at an annual rate.

Wage costs per unit of output, which dropped by 1.1 per cent in 1983, are down again this year too. They will probably rise in 1985 as a result of the accord on shorter (albeit more flexible) working hours reached after this spring's strikes. But since that accord runs to 1986 and both management and trade unions are wary of any early, new confrontation, the prospects of peace on the labour front in 1985 look good.

Company after-tax profits which jumped by more than one-third last year (admittedly from a low base) will be up again sharply this year. Even if credit were more expensive (and the Germans have gone far to de-couple themselves from high U.S. interest rates) enterprises would thus not be lacking in funds for investment.

Latest projections are that industrial investment will rise next year by about 8 per cent in real terms, although the construction sector will stay flat.

In sum, the Germans can reasonably expect faster economic growth in 1985 (perhaps around 3 per cent in real terms), largely stable prices, a visible trade surplus which stands to be bigger than this year's figure of a likely DM 50bn, and a current account still firmly in the black. The bad news is that even though the total number of people with jobs could rise by more than 200,000 next year, unemployment will still average over 2m, or 8 per cent of the labour force.

It may seem odd in the face of this mainly glowing performance that the D-Mark is not stronger, not so much against the dollar which remains a special case but against partner currencies in the European Monetary System (EMS).

Part of the reason is certainly political. There is concern at home and abroad over the "Flick scandal," the muddle and bickering within the centre-right coalition in Bonn and about possible future alliances between the opposition Social Democrats and "The Greens."

But German businessmen who often knit their brows over Chancellor Helmut Kohl's appsrent inability to co-ordinste effectively are generally full of preise for other cabinet members like Dr Gerbard Stoltenberg, Finance Minister, and Dr Heinz Riesenhuber, Technology.

In other words, German business wants no other government, but wishes the present one would "get its act together" rather better.

Little of that is new on the German scene — particularly not business grumbles about politicians in Bonn and foreign fears of "German instability." Trading strength, price stability and relative labour moderation have been common features of the German scene throughout much of the post-war era. If their continued existence is worth underlining, it is above all because of the tbree years of current account deficit (1979-81) and the international debste which resulted about whether the former "miracle workers" were going down the drain economically.

But there are new elements, too, for the most part emerging since the centre-right government came to power in 1982. One is the (by German standards) stock market boom—not just sbare prices rising to record levels but more companies deciding to "go public." Indeed there have been more enterprises coming to the stock market last year and this (over 30) than there were in the two decades to 1981.

Another new factor is the rise of venture capital outfits, competing with one another to provide funds to entrepreneurs with bright ideas but little cash.

Risk avoidance is ingrained in the national character, because of two lost wars, two bouts of hyper-inflation and because the country is divided

A few years ago there were almost no such VC companies. Now there are about 30 with some DM 700m available for investment, and every montb seems to bring yet another.

Tben there are the growing clusters of high-technology iodustry—for example, around Munich, Stuttgart, Nuremberg-Fürth (all in South Germany, the new power bouse of the Federal Republic) as well as in West Berlin.

It would be too much to say that all this is happening just because there was a political switch in Bonn after 13 years of rule by the centre-left. But there is no doubt that the present government constellation is more favourable to high technology, entrepreneurial initiative and individual effort than its predecessor.

This is partly reflected in its legislation to cut the tax burden on companies, boost the researcb efforts of medium-sized enterprises, encourage the founding of new firms and so on. None of this (naturally) goes as far as businessmen would like. But the atmosphere has changed: industry and science are "in," (not least for students), "bigh tech" is increasingly being seen as a chance and even fun, nnt a threat.

It would be easy to exeggerate—to suggest that after years of worthy bnt increasingly unispired performance in traditional industrial sectors, tbe Germans ace now etaging a financial and technological revolution.

For one thing while they fell behind in some key "higb tech" fields including microelectronics and biotechnology, that does not imply tbey were not innovetive at all.

As an example, the vehicle industry is not generally first thought of as a "bigb tecb" sector. Bnt with innovations like anti-skid brakes and electronically-controlled autometic transmission, the Germans have kept themselves well up emong the world lesders. Much the same could be said for the chemicals sector (with the exception mentioned) and (after a trough) for mechanical engineering.

Moreover, tbe new features on the German scene must be kept in international perspective. The surge of company interest in "going public" is encouraging and implies tbere will be a stronger capital base for entreprises in tbe long run. But tbe volume of the German stock market remains far behind London, let alone New York. An issue like British Telecom is a distant dream.

Similarly, the increaesd availability of venture capital and th rise of high technology endeavour in South Germany does not mean that "Silicon Valley, California" must now look to its laurels. The German venture capital business is still in its infancy and only about one-tenth of the available funds has so far been invested.

Further, desplte the current changes, there are deep-seated elements of German character which work against "revolution," technological, financial or otherwise.

One is the German "security complex," a widespread desire to eliminate risk virtually "from the cradle tothe grave." This shows itself, among other things, in one of the world's most comprehensive social security systems (even after a little cutting by the present government) and in the reluctance of employees to leave bigger companies and strike out on their own.

Many critics say the "entrepreneurial spirit of the post-war reconstruction period" is lacking—buf in those days the biggest risk was to sit amid the ruins and do nothing. Today's situation cannot fairly be compared to that.

Risk-avoidance is deeply ingrained, above all, because of two lost wars, two bouts of byper-inflation and because the country is divideded with "the enemy" at the gate. This innate caution now seems to be diministing a bit, at least on the economic and finaical fronts, but it is certainly not being "flung to the winds."

Partly linked to this cautious attitude is the German tendancy (still very strong despite an alleged decline in the "work ethic") to be thorough and perfectionist. This certainly brangs advantages, making for reliability of products and delivery dates which, et least as much as competitive pricing, sell German goods abroad.

But it also makes for a deep reluctance to manufacture and market until every last possible kink has been ironed out of e new product.

This is one factor which helps explain why the Germans lost ground in the ultra-fast-develop-

The accent still remains on evolution—not revolution

ing world of micro-electronics. Another factor is the trend to "compartmentalise," which makes Germans rather slow in combining research efforts (for instance between universities and industry) and in marrying skills for different sectors (for exampe opto-electronics).

That may all seem to add up to a poor basis for a "third economic miracle." It certainly sets the Germans apart from the innovative and risk-happy Americans — though not, perbaps, so far from the steady strategy of the Japanese. But then, with the benefit of bindsight, there was surely more of dogged application and determination than magic about the two previous German "miracles."

For all the changes now going on, the accent remains on evolution not revolution — which is how the Germans want it, and probably comforting for the rest of the world.

Men and Matters

Gilbert Steps aside

Dr Walter Gilbert, 1980 Nobel Prize-winner for cancer research and a dominant personality among the 200-odd biotechnology companies which bave sprung forth in the last five years, resigned yesterday as chairman and principal executive officer of Biogen.

Formerly a Harvard professor, Gilbert was the founding spirit of Biogen — an attempt to emulate the efforts of U.S. bio-entrepreneurs, but in a more international financial setting. He was the first to engage Europe seriously in the bio-boom sweeping California in the late 1970s.

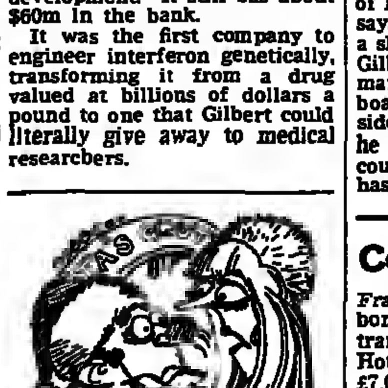
Under Gilbert's direction, Biogen raised $183m from scratch in support of an impressive portfolio of research targets for genetic engineering. Last year this little company spent $22m on research and development. It still bas about $60m in the bank.

It was the first company to engineer interferon genetically, transforming it from a drug valued at billions of dollars a pound to one that Gilbert could literally give away to medical researchers.

Only last week, Biogen announced a licensing agreement with one of the world's biggest chemical groups, BASF, to develop a promising new anti-cancer drug it has discovered bow to make by genetic engineering.

Why then should Gilbert, as he puts it, find this an appropriate time to step aside "and for Biogen to seek fresb management?" A close confidant in Biogen's early days describes Gilbert as a man of "enormous confidence in his own ability" who did not listen readily to others.

Dr Julian Davies, president of Biogen's Geneva laboratories, says Gilbert's decision was both a shock "and very courageous." Gilbert remains on both the management and scientific boards of Biogen. The bright side, as Davies sees it, is that he may get more scientific counsel from Gilbert than time has allowed of late.



"Sorry—I was hoping that you were Lord Gowrie, I'm here on behalf of the Arts Council"

Course of action

Frank Sheridan, the Scottish-born businessman who has transformed the Old Course Hotel at St Andrews into a £7,000-a-year golf and country club for U.S. visitors, is now turning his attentions to Ireland.

He is negotiating with wealthy Irish-American John Mulcahy to do something similar with the Waterville Hotel and golf course which Mulcahy constructed in Co Kerry.

Weterville is reckoned to be one of Ireland's best, and tougbest, golf courses — end with such fine courses as Ballybunion, Tralee and Killarney also within driving distance, Sheridan plans to make the kingdom of Kerry a rival to the kingdom of Fife for U.S. golfers.

Sheridan made his fortune with a wide-ranging business empire in Britain in the 1960s and 1970s but has concentrated on leisure developments since. He spent £10m on the Old Course Hotel after buying it from British Rail and is involved in other golfing developments in England, Spain and Florida.

His club members get a week's stay in summer with golf at St Andrews and other major courses, as well as free sweaters, ties, and other knick-knacks for their money.

Launching pad

Oleg Grinevsky, head of the Soviet delegation to the 35-nation Stockholm security and disarmament conference, rather dampened the exchanges of seasonal goodwill as delegates broke up for the Christmas holidays at the weekend.

Only two weeks earlier, the conference had made its biggest breakthrough, reaching agreement after nearly 12 months on a set of working procedures that have finally allowed real negotiations to begin on a package of so-called "confidence and security building measures" designed ot limit the risk of surprise attack and war in Europe.

With George Shultz and Andrei Gromyko also egreeing to meet again in Geneva next montb, the mood in Stockholm was quite cbeerful. Then Grinevsky castigted the U.S. and other Nato members for "continuing their preparations for war and for holding fast to dangerous military doctrines that do not exclude the possibility of unleashing a nuclear war."

Some wondered whether the outburst was caused by an unexpected insight into Nato thinking. On a sketch pad in one of the U.S. delegation's briefing rooms last week was a stark quotation from Britain's King James II: "I will make no concessions . . . my father made concessions and he was beheaded."

Neutral and non-aligned delegates, forever in search of common ground between the two elliances, might have pointed out, of course, that James's unwillingness to compromise was at least partly responsible for forcing him to flee the country shortly afterwards to save his own head from the axe.

Club land

Bishop Desmond Tutu, who won this year's Nobel peace prize for his part in opposition to apartheid in South Africa, could soon be invited to hobnob with apartheid's staunchest supporters.

The ultra-exclusive Rand Club in Johannesburg, playground to 2,500 top South African executives, denies membership to blacks, Jews, and women. But traditionalyl it offers honorary membership to the Anglican Bishop of Johannesburg, a post whic bTutu is due to take up in February.

The South African Press Association quote the club's general manager Peul Roscoe as saying at the weekend that membership is not automotic. The club's membership committee would have to give "a lot of thought" to extending full membership to a black.

Te said that only one black—an unidentified Malawian—bad ever gained honorary membership.

Tutu has already declined one of the perks of his job. He prefers his home in Johannesburg's sprawling black ghetto of Soweto to the luxuries of the Bishop's official residence in a white-only city suburb.

He has not commented on his membership prospects for the Rand Club.

Observer

Letters to the Editor

Importance of VAT on books

From the President, Publishers Association

Sir,—Heaven preserve your readsr—and, more especially, the Prime Minister and the Chancellor—from accepting the preposterous arguments pnt forward in your article "VAT is not a badge of shame" (December 13).

The issue insofar as books are concerned is a moral one, as well as being a matter of economic good sense. It is about taxing knowledge and ideas. It is about literarcy. It It about education, both informal as well as formal. It is about rsearch. It is—eventually—about hindering or encouraging individuals who, through the writing and reading of books, contribute so greatly to our national wealth—professionally, culturally and commercially—in a very competitive world.

Don't be fooled by the role of transitory fiction, a tiny proportion of the whole and an irrelevance to the debate. Don't be fooled also by the prospect of help from the Arts Council which—in its recent report, "The glory of the garden"—all but abandoned its support for literature (now to receive about 0.5 per cent of its budget). And don't be fooled either by imagining that greatly increased funds for public and university libraries, for schools and colleges — nor for students themselves—will be made available "to subsidise reading" in the current climate.

I submit, Sir, that "the detail of VAT . . . on books" is of massive "intrinsic importance" to the whole nation. It will be a short-sighted and muddle-headed government which has any truck with the thing. We should all warmly welcome the fact that so many MPs have already shown themselves to share that view.

Philip Attenborough,
Hodder & Stoughton.
Mill Road,
Dunton Green,
Nr. Sevenoaks, Kent.

Items people have to buy

From Mr T. Blair MP

Dear Sir,—I rarely agree with Samuel Brittan, but at least what he writes is usually cogent. That cannot be said, however, about his piece on VAT (December 13).

He is quite wrong in thinking that the argument against extending VAT is that it casts "a slur" on the items in question. The case against extending VAT to the items now under consideration—children's shoes and clothing, books, newspapers, fuel and power, food etc—is essentially in two parts. Loading VAT on goods, especially at our comparatively high rate of 15 per cent, puts a very heavy burden on the industry concerned. The shoe industry estimates that VAT on children's shoes could cut home production by 7 per cent or more. At the recent conference on VAT convened by the Opposition Treasury team representatives from the Hot Food Takeaway Action Group, fighting the effects of the last Budget's imposition of VAT on takeaway food, said that sales of hot takeaway food were down a dramatic 25 per cent.

Allied to this, the social effects of such an imposition are considerable. Again, for example, some 70 per cent of books bought have some educational value. A third of these are bought by parents.

In fact, virtually all the items known to be under active consideration are items that people have to buy. Imposing VAT on them is to shift the burden of taxation in a way that directly and adversely affects the poorest sections of the community.

One further point should be made. Mr Brittan is in error in assuming that extending VAT is moving towards a "de facto expenditure tax." An "expenditure tax" is levied on an individual's expenditure over a year and can therefore be made progressive. VAT is equivalent to a flat rate tax on expenditure, and, therefore, compared with present income tax is a regressive tax. That, of course, is one reason why we oppose its extention.

Tony Blair,
(Labour Spokesman on Treasury Affairs).
House of Commons.

Etiquette and the Budget

From Mr M. Pilch

Sir,—There seems to be a difference of opinion in Downing Street over the Parliamentary etiquette surrounding the Budget. Two reports that appeared in your columns on December 13 and 14 will serve to illustrate the point.

Mrs Thatcher (to the National Housebuilding Council): "You would like mortgage interest rate relief to continue. It will."

Mr Lawson (to the House of Commons): "Some people may be contemplating premature retirement on the basis of rumours on the tax treatment of pension lump sums. I can assure the House that there is no reason for anyone to retire early on account of such rumours."

Why, when we have such a forthright Prime Minister, does the Chancellor have to be so cryptic? Any sense of relief that lump sums have been (temporarily?) reprieved must be tinged with concern that pensions remain in jeopardy. If, as has also been widely rumoured, the Chancellor imposes tax on the investment income of pension funds, the pensions of many existing pensioners may have to be reduced. Would that fall within the definition of retrospective legislation that would not be espoused by the Government?

Come on, Mr Lawson. Why not take a leaf out of the Prime Minister's book? I look forward to reading something on the lines of the following: Mr Lawson (to pensioners): "You would like the existing tax treatment of your pension fund to continue. It will."

Michael Pilch.
Noble Lowndes & Partners,
P.O. Box 144,
Norfolk House,
Wellesley Road, Croydon.

A tax on pension funds

From the Chairman, National Westminster Group Pensioners' Association.

Sir,—While recently the suggestion that the income of pension funds should be taxed seems to have receded into the background as more is written about the taxation of lump sum commutation payments and pension contributions, it is important that the Chancellor should not be allowed to feel that the former is an easy option and one that would not cause considerable resentment and opposition at all levels and not least among his own party supporters.

The income of pension funds is, in effect, the income of the members of those funds — the fund itself is not trading for a profit, but investing the members' funds to provide them with an income towards which they have contributed in one way or another throughout their working lives.

This income of the individual pensioner is then subject to the usual income tax conditions. Thus the income of the fund is already taxed in this way. If the Chancellor proposes to tax the income of the funds at source, then it is entirely reasonable and equitable that all pensions paid from such funds should not be liable to tax. If this were not the case pensioners would be paying double tax on the income from the capital held on their behalf.

The introduction of taxation of pension fund income would mean that individual pensions would have to be reduced proportionately, and, even if accompanied by freeing of pensions from tax liability, would lead to a serious injustice by the reduction in income of those whose pensions do not now rank as liable to tax, and there are many such. Thus the poorer pensioners will suffer disproportionately.

It is, therefore, essential that the Chancellor should rethink his proposals in this respect, while at the same time paying proper regard to the injustice of his proposals for taxing other aspects of pension fund finances, the unanswerable case against which has been put so cogently by others, whose wisdom I shall not attempt to embellish.

E. J. W. Buckler.
Tara, Fyrsway, Fairlight,
Hastings, Sussex.

Britons voting from abroad

From Mr R. Raymond-Cox

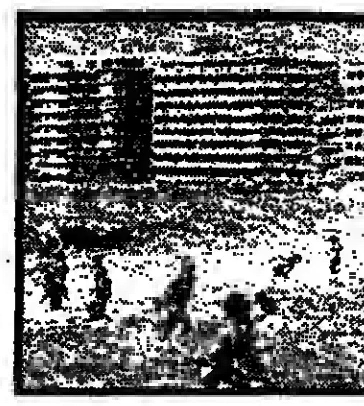
Sir,—Having spent five years working abroad, I am furious at Gerald Kaufmann's dismissal of people like me and my wife as tax exiles. Every year many hundreds of thousands of people like us (and our children) go abroad to work and greatly benefit this country. We are of greater benefit to the UK than Mr Kaufmann and his cohorts who seem unable to see the importance of overseas trade.

Most British citizens who go abroad to work retain their permanent homes in this country. Our children are at school or university here. Our parents remain here. When we return, most laws passed during our absence remain on the statute book for the rest of our lives.

Mr Kaufmann should come clean. His sole fear is that few Britons aboard will vote Labour. He is right. This piece of legislation is long overdue. Only when it is on the statute book will he and his party start to look beyond these shores and take an interest in people like us.

My family returned to England two years ago. We have no personal axe to grind. The Government is trying to right an enormous injustice and deserves support.

Ronald C. M. Raymond-Cox.
7a, Douglas House,
6, Maida Avenue, W2



Next year's holiday outlook

From Mr R. Muttitt

Sir,—In the light of Horizon's relaunch and Thomson's readiness to "flex its muscles" if necessary (re "Why nerves are jangling" December 8), you may find the results of our recent national survey quite interesting.

While tour operators are increasingly "battling it out" on the basis of prices alone, consumers have little awareness of any price differentials. Not only were two-thirds of people in our 500 strong sample of 1984 holidaymakers unaware of any significant difference with respect to tour operators' prices, but they were also unable to differentiate between tour operators on the basis of value for money, quality and reliability of the services provided by such.

What appears to be more important for consumers regarding their 1985 holidays are the following changes: 60 per cent of the sample intended to change their country of destination, with over 20 per cent making changes to accommodation, time of flight and length of stay respectively. Thus the successful tour operator in 1985 will not win on price alone, but by having a programme that reflects a sensitivity to what people actually demand from their holidays. (Indeed, more people were put off by the incidences of violence in Spain than by the 20 per cent increase in prices.)

Fifty per cent indicated a swing away from Spain because of the aforementioned reasons, preferring such countries as Greece, Italy and Portugal at Spain's expense (assuming, of course, that the three countries can cope with such demand and provide the facilities taken for granted in Spanish hotels and resorts).

One of the other interesting findings highlighted was the preference of nearly a third of the sample to book directly with the tour operators — a factor which may come as quite a surprise to some travel agents. Tour operators must welcome this trend, but are at risk of tarnishing their reputation with continual relaunches and, in so doing, sending the consumers back to travel agents in order to negate any element of confusion.

Contrary to describing the market as "mature," tour operators have a lot to learn in terms of being more sensitive to the real requirements of the market place instead of being traditionally "production-led" and focusing too much upon their end product. The sooner the tour industry realises that for most a holiday is one of the major considered purchases that consumers make during the year, the better. Their current action only stands to enforce a commodity-like situation, whereas in actual fact a holiday is a highly sophisticated purchased. Thus, it is a shame that Thomson, one of the few tour operators which would seem to be "getting it right," does not have the courage of its convictions and feel the possible need to resort to price cutting tactics if pushed.

Robert Muttitt.
Charles Barker Travel Connections,
Kennedy Tower,
Snow Hill Queensway,
Birmingham.

Electronic payment effects

From Mr P. Rodgers

Sir,—I noted with interest your report (December 11) of the Bank for International Settlements concern over electronic payment.

I have been researching the effects of electronic payment on money and banking at the City of London Polytechnic for four years and I am puzzled by the conclusion that the electronic payment will mean a smaller liquidity base for banking.

There seems to be a common misconception that cash will somehow just disappear under EFTS. This is not so. As cash becomes redundant it will be paid into the banks which, presumably, will convert it into bankers' balances at the Bank of England — an alternative form of liquid reserve. This leaves the reserve base of the banks unchanged.

Philip Rodgers.
7, Short Close,
Downham Market, Norfolk.

Falkland Islands fishery

From Mr J. Provan, MEP

Sir,—Your report (December 12) on the plundering of the Falklands fishery underlines the urgent need to safeguard these valuable fish stocks especially the hake and squid stocks.

The European Community implications of the Falklands fisheries potential should be emphasised. It is a disgrace that these fish resources which should be the basis of much needed employment for the Falkland islanders and could be a life line to EEC fleets are being ruthlessly plundered by East European and Far Eastern fleets.

In the EEC context the Falklands fishery is of interest to the powerful Spanish freezer trawler fleet which landed some 16,000 tonnes of squid from Falklands waters in 1983 and is expected to have landed 2,500 tonnes in 1984. There are some 500 Spanish freezer trawlers, some over 2,000 grt, seeking continued fishing opportunities. At the same time when the British Government should be doing its utmost to protect the British fishing industry from the threat of an invasion of Spanish vessels into EEC waters it is time for the EEC to take action. We need a Community initiative to secure Falklands waters for EEC fishermen.

The present free for all can only be stopped by declaring a fishing limit round the Falklands so that proper management of the joint stocks shared with Argentina can be undertaken. We would thus be achieving benefits for Britain, the Falkland Islands, the EEC and the Spanish.

Proper management of the fishery and the provision of the necessary bunkering, repair and other services could provide the basis for sound long term development of the local economy.

If this resource continues to be plundered not only will the Falklands lose much needed employment and revenue but the threat to our own fishermen in EEC waters will be increased.

James Provan
(Conservative spokesman on Agriculture and Fisheries in the European Parliament).
Wolacetown,
Bridge of Earn, Perth.

Sell the water authorities

From Mr P. Newman

Sir, — I am not convinced that the privatisation of Thames water would bring about the customer benefits in pricing or in anything else which Councillor Ian F. G. Beattie, chairman of Thames Water's Eastern Consumer Consultative Committee, propounds (December 12).

It is true that one-third of the people who live and work in Thames Water's region of authority already receive their water from private water companies. They will see smaller rises in their charges next year than customers who receive their bills from Thames Water.

This is because the Government is not allowed to set the water companies the kind of budget restrictions that apply to Thames Water and the other water authorities. These companies are controlled by legislation which prevents them from making an unreasonable profit. So they will not be putting up their charges by anything like the 10 per cent Thames will have to ask its customers for if the Government's plans are not changed.

But by privatising Thames Water this would be making a publicly owned monopoly exercising statutory control over a number of private water suppliers into a privately owned monopoly. It would thus be divorced from the present political link which exists between government and the political clout that can be exercised by the ordinary consumer in a way that is not possible with a privately owned monopoly.

This political clout is everywhere evident in the responsiveness of the authority and through it the independent water companies to the newly created consumer consultative committees, as I am sure Councillor Beattie is aware. Rather may I suggest to him, with the greatest respect, and to all others connected with these CCCs, and to anyone else who cares about this kind of arbitrary imposition of a taxation upon new-found efficiency, that the best way to defeat this iniquity is by constant and continuous lobbying against, and not by privatisation.

Peter F. Newman.
(Householder Representative, Southern Consumer Consultative Committee, Thames Water)
2, Noplehoich Close,
Godalming, Surrey.

European car price differentials

A softly, softly approach

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

HARDLY ANY topic involving the motor industry has raised tempretures as much as the European Commission's attempts to cut the differences in car prices throughout the Community.

The issue has bubbled to the surface recently with publication of the Commission's revised regulations to deal with the problem. These take effect from next month.

Significantly, they display a much softer approach to the motor industry, which had complained vociferiously about the original proposals. However, the consumer organisations are very disappointed.

Over the past couple of years consumer organisations have complained bitterly that car prices (net of tax) are up to one third cheaper in Belgium than in Britain and that manufacturers put obstacles in the way of UK buyers wanting to take advantage of this opportunity.

The Institute of Fiscal Studies highlighted the argument that the British were being taken for a ride by car manufacturers when it estimated that if the British had paid Belgian prices for their cars in 1981 the UK would have saved £1.3bn or 0.6 per cent of gross domestic product.

But it is not Britain alone which is affected. Italians have been making their way to Denmark to buy low-cost cars. West Germans have headed for Denmark and Belgium. The French have crossed to Belgium and there has been trade across the Irish border as people in the North took advantage of low pre-tax prices.

The industry has reacted with indignation to the criticism. How could car makers charge one price for the Community as a whole when there was no common market. Taxation differences, government price controls, variations in rates of inflation, currency fluctuations, all made a mockery of the concept that the 10 nations represented one market.

And the idea that the industry was in some way profiteering by charging high prices in some territories was laughable when the European manufacturers were sustaining large losses: a net £407m in 1980, £575m in 1981, £137m in 1982 and £501m last year.

Taking the worst possible case, industry representatives such as Mr Sam Toy, chairman of Ford of Britain, maintained that if car companies were

NEW CAR PRICES IN ECU (JULY 1984)

	Belgium	Germany	France	Italy	UK
BMW 320i	9,632	10,494	11,015	11,258	12,417
Citroen GSA Pallas	5,720	6,139	6,811	6,921	7,488
Fiat Panda 45	3,361	3,864	3,793	4,398	4,186
Ford Escort XR3i	7,203	8,128	8,219	8,706	9,167
Mazda 323 GT 1.5	5,603	5,877	6,547	—	7,374
Opel Kadett 1.6 SR	8,284	7,067	7,042	7,440	—
Peugeot 305 GT	6,590	7,057	7,542	8,189	8,644
Renault 5 GTL	4,638	5,017	5,083	5,410	6,113
Volkswagen Golf GTI	7,944	8,725	8,750	9,366	10,641

Source: BEUC.

forced to reduce pre-tax prices to the lowest in the Community, it would destroy the European motor industry, cost 3m jobs and leave consumers with a choice of only Japanese or East European cars.

The Commission first became involved because the car manufacturers wanted to restrict sales of new cars to their own, franchised dealers—a system known as selective distribution. This contravenes a general principle of free trade within the Common Market.

But the Commission endorsed the system, saying that on balance it worked to the customers' benefit since it helped to ensure that a new car would have no safety defects, would comply with national technical requirements and that there would be somewhere for the vehicle to be serviced.

The Commission and the industry agreed that a "mode" agreement should be worked out so that any company which followed its terms could continue with the franchised dealer system. The Commission's first draft regulation contained some contentious conditions, however. Two, in particular, created an uproar

First, the Commission said that if prices were more than 12 per cent out of line a manufacturer would lose its right to selective distribution. In practice, that would have opened up the way for unofficial traders to buy cars in the lowest-cost country in the EEC and sell in the highest-cost undercutting the manufacturer's own dealer network.

However, the Commission significantly softened its approach. The guidelines issued with the regulations now say that it will take an 18 per cent difference to spark off an immediate reaction—and that would be in the form of an inquiry by the Commission. There will also be an inquiry if a 12 per cent difference in the price of the same car in one Common Market country and another persists for 12 months or more.

The guidelines make it clear that markets where there are major distortions in retail car prices will be excluded from the reckoning. The 18 per cent rule will not apply where cars are taxed at more than 100 per cent of the manufacturers' prices. Currently that would eliminate Denmark and Greece.

Also excluded will be any market where ther have been price controls for more than one year. At the moment that would certainly eliminate Belgium and Luxembourg and possibly France (where price controls have been imposed on the domestic car makers but not the market as a whole).

The second contentious condition is a "full line availability" provision. In crude terms this means that a manufacturer should make all its cars in all EEC markets. For example, a British buyer should be able to order a right-hand-drive, UK specification car in Belgium or West Germany.

The availability clause will apply only to those cars common to two or more EEC markets, however, and will not force manufacturers to stock all their models in every country. Nor will dealers have to supply any car with a "foreign" specification unless they wish (the obligation to supply is only on the manufacturer).

The guidelines also relieve the manufacturer of the burden of having to supply cars at the local pre-tax prices in those markets, like Denmark and Belgium today, where there are distortions of tax ro price controls. Insted the manufacturer would be obliged to supply at the lowest price charged among those EEC markets without such distortions — probably West Germany as it stands.

Otherwise for the consumer, not a great deal will have changed. The Commission has enshrined the selective distribution system. There will be no substantial unofficial second channel of distribution for cars in the Community — perhaps by companies with enough finance to take cars on spec from the lowest-cost EEC country to the ones where pre-tax prices were higher.

Pre-tax prices throughout the Community will continue to drift much more into line, as they have in the last two years since the industry became aware of the Commission's intentions.

Whether or not most consumers benefit from this drift remains the remit of national governments because, while the Commission has been very determined to cut pre-tax price differences, it has been relatively restrained in tackling those governments which impose very high taxes on cars.

The consumer organisations are extremely disappointed about the final shape of the regulations and feel aggrieved that the Commission does not intend to "police" them itself but to rely on the consumer groups to do it. "Why should it be left to us to jump up and down all the time?" complained the UK Consumers' Association.

But this does not necessarily indicate that the motor industry has won a famous victory

The regulations will have the effect of depressing car prices in the high-cost markets at a time when the industry needs all the money it can get. And the Commission has given itself wide-ranging, discretionary powers which the industry finds very worrying.

Companies with as much at stake as the European car manufacturers say they would prefer to be bound by rigid, inflexible rules rather than have their fate at the mercy of the whim of a bureaucrat in Brussels.

FINANCIAL TIMES

Tuesday December 18 1984

U.S. REBUKED OVER IMPORT CURBS

EEC avoids steel confrontation

BY ANTHONY McDERMOTT IN GENEVA

THE EEC yesterday stopped short of a head-on collision with the U.S. over America's curbs on pipe and tube imports but sharply rebuked U.S. negotiators for uncivilised trade practices.

The meeting, which took place before the council of the General Agreement on Tariffs and Trade (Gatt), was called by the EEC after the U.S. last month stopped all the Community's pipe and tube imports until the end of the year.

The U.S. action also requires a limitation of such imports for the foreseeable future to a level of 5.9 per cent of the U.S. market.

One non-partisan delegate pronounced "a plague on both their houses," but Mr Tran Van Tinh, the EEC delegate to Gatt, emphasised the Community's anger by saying: "We are not savages ... The U.S. action was unique in the civilised trade tradition, which we have had until now."

Mr Tran said that the U.S. action would cost the Community $80m in lost export revenues for the month. While the Ten had 14 per cent of the U.S. market for the year, Mr Tran said the EEC was not prepared to see U.S. restrictions continue into 1985.

The Community held back from calling for the creation of a special Gatt working party or panel to deal with the issue. Such a call would take weeks or even months to organise. Negotiations could reduce the problem, he indicated.

Failing any such talks between the two parties, Gatt is unlikely to take the matter up before the next council meeting at the end of January.

The EEC has offered to reduce its market penetration of the U.S. to 7.6 per cent, but it wants to maintain a market for its pipe and tube exports. The U.S. is anxious to avoid threatened EEC compensation claims through Gatt.

Stewart Fleming in Washington adds: Reagan Administration trade officials are expressing confidence that they will this week secure a series of agreements limiting steel exports to the U.S. from several foreign suppliers.

It remains unclear, however, whether the voluntary restraint agreements will be sufficent to reduce to around 16½ per cent from around 25 cent the market share of steel imports in the U.S.

The nation's biggest steel manufacturer, U.S. Steel, has announced that on Wednesday it will file anti-dumping complaints against eight countries including Austria, Venezuela and Sweden, and five East European nations.


President Reagan

In September President Ronald Reagan promised the U.S. steel industry that he would negotiate restraint agreements with foreign steel suppliers and set today as a tentative target for completion of the talks.

Earlier in the month, in what was seen as a breakthrough for the restraint programme, Japan agreed in principle to curtail steel exports to around 5.8 per cent of the U.S. market next year although details, such as the duration of the agreement and the product categories involved, have yet to be settled.

Another dispute involves South Korea, which has broken off talks on a voluntary restraint agreement on the grounds that it is being pressured by Washington to cut its exports to the U.S. too sharply. It has, however, agreed to limit exports next year to their 1984 level.

Other suppliers, including Third World steel manufacturers which have been an increasing source of concern to the U.S. steel industry, have agreed to restrain exports or are said to be on the verge of doing so.

Mexico is one, and it was reported over the weekend that Brazil has become another. South Africa, Australia and Spain are also likely to be counted as countries with whom agreements to curb imports have been reached.

So far, the U.S. steel industry, which is showing signs of being hit by the slowdown in economic growth, has not said publicly whether it views the agreements nearing completion as satisfactory.

Paris to open the door to property developers

By Michael Cassell, Property Correspondent, in London

FRANCE has decided to relax the fierce planning controls that for years have helped to save the historic and architectural splendours of Paris from the worst excesses of the property developer.

The Government's decision to make life easier for a breed of businessmen normally regarded as the front-line troops of capitalism was yesterday being greeted with considerable surprise but undisguised delight by the development industry.

Their pleasure was apparently only heightened by the news that President François Mitterrand has championed the change after becoming aware of the damage inflicted on the commercial life of Paris by the near-ban on development.

Ministers were faced with mounting evidence that the tough development guidelines introduced in the mid-1960s and designed to encourage economic activity in the provinces had finally become more damaging for Paris than they were helpful for the regions.

The serious shortage of office space in the French capital has prevented growing numbers of international companies from choosing Paris as their European base. The squeeze on supply has also pushed up rents by as much as 25 per cent during the last year.

Despite the proposed changes, however, described by one estate agent last night as "a godsend," the historic heart of Paris is unlikely to be threatened. Most of the buildings in the city's central area are protected and will remain so, although more of them might now be refurbished. The majority of the next generation of developments will be concentrated in the inner suburbs and in nearby new towns.

Under the proposed changes, which should take effect early in 1985, there will be big revisions of the "agrément" system, which requires licences for the development and occupation of offices and industrial premises in the Paris region.

The size of projects not requiring licences is to be doubled and the development of head offices for international companies will be excluded from agrément procedures.

French face outcry on weapon test, Page 3

THE LEX COLUMN

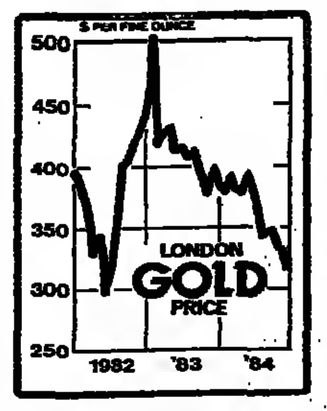
Leaden look to the gold bar

The strength of physical demand from Japan and Hong Kong has been about the only positive feature of the gold bullion market this year. So, for unrepentant enthusiasts of the metal, the Far Eastern origins of yesterday's sell-off must have been especially galling. But there are precious few enthusiasts left. London extended the day's losses to around $6, with gold finishing at $316.25, while to judge from early New York dealings there are not many buyers across the Atlantic either.

For the chartists yesterday's reaction was long overdue. Having dropped through the $330 level at the beginning of the month, the price should by rights have motored straight down the tramlines to $310, triggering stop-loss orders as it went. Even ignoring the tramlines, it is not easy to construct a convincing case for buying gold. In almost any currency other than the dollar, the price has remained remarkably stable this year. Expressed in sterling terms, the price was the same last night as at the beginning of January.

The rapid depreciation of the rand has ensured a steady supply from South Africa, which shows no sign of abating, while the progressive lowering of inflationary expectations, in developed economies has made gold practically redundant as a hedging instrument. If low inflation is accompanied next year by a falling rate of economic growth in the OECD countries, the rise in industrial demand could fail to keep pace with supply.

A marked fall in the dollar looks the best hope for the gold price in the immediate future. But if the U.S. economy can shake off a quarterly current account deficit of $33bn and a federal funds rate of under 8 per cent, as it did yesterday, even that hope could prove forlorn.



Index-linked

If gold is languishing because investors think that inflation has been squeezed out of the financial system, the same ought perhaps to be true of that other inflation hedge, the index-linked gilt. However, things have been working out on rather different lines recently. Index-linked have come on with enough of a rush to make them the obvious choice of funding instrument to authorities covering their embarrassment at some pretty awful money supply figures.

One reason why this segment of the gilt-edged market has been in favour is simply that only a few months ago it was evidently cheap on any reasonable guess about inflation. Even at a fairly optimistic 5 per cent rate – assumed to run for the next 30 years – the net returns to life funds, for example, should have been sufficient to justify switching from conventionals. In any case, the arguments for increased indexed weighting have been gaining an increasing hold on trustees all year. This could be one case where thoughts of year-end book-squaring have caused some genuine demand.

It is just possible, of course, that UK funds fear rather higher inflation than does the international community of gold speculators. One way of looking at current yields is that they discount wage packets growing at something near 10 per cent.

Scottish & Newcastle

After five dismal years of flat profits, Scottish & Newcastle now has the luxury of sitting back and watching its efficiency drive bear fruit. Yesterday's announcement of an 18 per cent lift in pre-tax profits for the half-year to end-October saw the shares fizz up to a record 135½p, more than three times their price in the dark days of 1981.

Most of the profit comes from fatter margins – up from 10.1 per cent this time last year to 11.7 per cent now. Beer sales were only just about maintained, with a fall-off in canned lager neatly cancelling out the uplift in draught.

But it is outside its traditional beat that S & N has been piling in the revenues. At the full year, its hotel division contributed a 90 per cent jump in operating profits, and for the last half-year, the London hotels have done almost as well again. Occupancy and room rates are well up, and the tourist season seems to have lasted right through the autumn.

Given that S & N is now squeezing the last drops of profit out of its brewing, it must have an eye on acquisitions to fuel its profit growth. After its slap in the face from the Monopolies Commission on the Cameron brewery takeover, it may still be scouring the regions for another drinking companion though it quite sensibly wants to reduce its reliance on brewing.

Buying more hotels now, at the height of the tourist boom, could be a mug's game. But whether the market has faith enough in the company to follow it down less well trodden paths is quite another matter.

Nottingham/Johnson

In the last days of a takeover campaign it usually means only one thing if the target company's share price falls well below the offer: the market has begun to think that the bid will be repulsed. The 12p drop in Johnson Group shares yesterday took them to 428p, after they had spent most of the previous 10 days impaled on the 440p offer price, and it does indeed seem that Nottingham Manufacturing has only an outside chance of success.

That this is so appears to owe less to the merits of the offer – which was eventually pitched at a fair enough level – than to the unusual defensive resources at Johnson's command. In past takeover sieges, of which it is a veteran, Johnson has been able to rely upon the Monopolies Commission to save it from despoliation at the hands of other cleaning companies. That has meant that the inner lines of Johnson's fortification, an antediluvian employee-share scheme and a heavy voting preference stock largely controlled by Johnson's pension fund, were never put to the final test.

This time, Nottingham at least reached the point of having these arrangements reviewed in an extraordinary meeting, gained over half the votes, but failed at the 75 per cent rampart of a special resolution. It thus needs well over 60 per cent of the ordinary shares to win Johnson, a type of protection for directors that other shareholders – employees as well as institutions – may well deplore.

U.S. call on chemical safety

By Andrew Gowers in London

THE U.S. yesterday proposed tighter guidelines on the transfer of technology and hazardous chemicals from industrialised countries to the Third World, in the wake of the pesticide plant disaster at Bhopal, in India.

The suggestion was put forward by Mr Fitzhugh Green, associate administrator of the U.S. Environmental Protection Agency, at a meeting of environment ministers from six of the seven leading industrial nations. Representatives from other countries agreed that the idea deserved further study.

Mr Green said that what was needed was a harmonised approach to the assessment of environmental and safety hazards throughout the world. "This has been a low priority up to now, but if we could estimate the risks in the same way in all countries, we would have a clearer path for working together."

Mr Patrick Jenkin, the British Environment Secretary, who chaired the meeting, stressed that any guidelines would need to be drawn up in consultation with developing countries. He noted that the Organisation for Economic Co-operation and Development (OECD) was already at work on the question of transferred technology.

This was the ministers' first chance for a discussion of issues arising from the Bhopal disaster, in which more than 2,000 people were killed. Mr Jenkin said it was much too early to say what lessons should be drawn from the tragedy.

British ministers have expressed interest in improving the flow of information between countries on dangerous chemicals. One possibility is the adoption of the U.S. system under which countries are notified if a chemical which is banned in America is about to be exported to them.

Industrial safety in Bhopal, Page 3

Kiel group criticises forecasts for German economic growth

BY PETER BRUCE IN BONN

ONE of West Germany's five leading economic institutes, Kiel University's Institut für Weltwirtschaft (IFW), has sharply criticised the spate of recent forecasts suggesting that new industrial investments will power the country's economic growth next year.

Both the Government-appointed panel of "five wise men" and the respected IFO economic forecasting institute have said in the past month that new capital investment of between 8 and 10 per cent next year, due largely to the need to modernise, would compensate for any decline in West German exports, which have reached record *levels this year.*

"It is doubtful whether modernisation alone could bring about a strong upswing in 1985," the IFW says and forecasts an increase in capital spending of only 4 per cent over the 1 per cent rise this year.

"In order to remain competitive, more investment should already have been undertaken when the real exchange rate of the D-Mark was at a much higher level."

The IFW confirms an earlier economic growth forecast for 1985 of 2 per cent (down from 2.5 per cent this year) which it reached in a combined report with four other institutions including the IFO, signalling a determinedly more gloomy view than the Government's own 2.5 per cent forecast and the 3 per cent suggested by the "five wise men" last month.

The IFW suggests that the apparent regaining of momentum in the economy, due largely to the exchange-rate-led export boom, might be illusory. "In view of the risks concerning the future development of the exchange rate ... investors do not seem to regard current export profits as a solid basis for long-term investment decisions," it says.

It does make one concession, however, to the view that even if the exchange benefits do prove short-lived, export orders booked already will have a major influence on the country's income next year. The West German current account surplus, the IFW says, will double to DM 28bn ($9.09bn) next year.

It says, however, that "there seems hardly any reason to doubt that fundamental economic problems remain untackled (no cuts on subsidies, continuing wage rigidities ...)."

Government policy, it says, does not improve incentives to work, to invest or to save. "The opposite seems true. The continuing debate about additional taxes and social contributions and extra subsidies causes uncertainties and provokes a delay of decisions to purchase consumer goods and invest."

The Government's budget deficit, currently over DM 30bn, will remain largely untouched, the IFW says.

U.S., W. Germany to resolve computer dispute, Page 6;
W. Germany's economic 'miracle', Page 12

EEC to suspend steel aid

Continued from Page 1

If that view is accepted the decision might take much longer to reach.

Mr Norman Lamont, Britain's junior industry minister, said: "We were not near to agreement at all. There will have to be another council in January to carry it forward.

"Nobody questioned the fundamental point that all aids should be phased out by the and of 1985, but we do not require an increase in aids, and we do think that other countries who want to increase aids should be prepared to make additional cuts."

Gorbachev warns on arms

Continued from Page 1

first reduced their arsenals, Britain would keep its nuclear force – at present only 3 per cent of the size of the Soviet Union's – outside disarmament talks.

Mr Gorbachev dwelt on the link between controlling offensive and defensive weapons, and called on one of his delegation, General N.F. Chervov, head of the Soviet general staff directorate, to spell out the argument that it was only the 1972 anti-ballistic missile treaty that had simultaneously made possible control of offensive weapons in Salt 1.

That strongly suggests that Moscow might walk out of future negotiations if Washington refuses to drop its space defence programmes.

President Ronald Reagan has planned early tests of a U.S. anti-satellite missile and longer-range efforts to develop so-called "star wars" technology with lasers to counter any incoming Soviet missiles.

Some West European governments, including Britain, harbour reservations about the strategic implications of switching from deterrence to defence.

The Foreign Secretary emphasised the need to expand the dialogue beyond governments to increased contact between ordinary Soviet and British citizens. "Policy without people is an empty shell."

Lawson orders full review of Britain's banking supervision

Continued from Page 1

eration to the desirability for legislative changes with the aim of reporting by next spring.

The Bank of England was at pains last night to emphasise that it supported Mr Lawson's initiative and welcomed the chance to review supervisory procedures, which it has never claimed were perfect.

However, the move was widely viewed in the City of London as a blow to the Bank, the standing of which in banking circles is not all it might be because of its handling of the JMB rescue and because of what is seen as its insensitivity on a number of recent tax and of regulatory matters.

The appointment of the Governor as chairman was also criticised because it might harm the appearance of objectivity in the committee's deliberations.

The City is anxious, however, that the review should not lead to a big regulatory crackdown – which most bankers believe to be undesirable and unnecessary despite the JMB fiasco. The view in accounting and investment circles, though, is that greater disclosure and a clearer definition of the role of bank auditors is needed to ensure that emerging troubles at a bank are swiftly identified and reported.

The Bank of England may also want greater powers to extract information from banks, and approval for strengthening its overstretched supervision department.

In the Commons Mr Lawson came under pressure from MPs of the ruling Conservative Party as well as those of opposition parties. He turned down calls for an independent public inquiry, saying that issues of commercial confidentiality were involved.

Mr Lawson also denied thet any public money would be involved in the rescue, although he avoided questions about how much of the indemnity of £75m ($90m) that the Bank has given would be required.

Dr David Owen, leader of the Social Democrats (SDP), and Conservative MP Mr Jonathan Aitken asked how the position had been reached whereby there was a contingent liability of £75m when originally it had been stated that there would be no liability at all. A series of MPs argued that there might be a call on public funds merely because the Bank's dividend payments to the Treasury might be reduced.

For Labour, Mr Roy Hattersley, the Shadow Chancellor, said the statement would intensify fears rather than allay them. Later, Mr Bryan Gould, a Labour spokesman on trade, said that Mr Lawson's statement amounted to a "major vote of no confidence in Mr Leigh-Pemberton. The Governor should now consider his position."

Ivor Owen adds: When Mr Tim Smith, a Conservative MP, asked Mr Lawson if he had recommended to the Bank of England that Arthur Young McLelland Moores and Company, JMB's auditors, should be sued, Mr Lawson replied that he had made no such recommendation.

The Chancellor added: "But, nevertheless, leaving the question of litigation aside, when a company does become insolvent as rapidly as JMB the question does arise about the role of the company's auditors.

Mr Lawson said the whole question of the relationship between auditors and the supervising authority would be one of the matters taken into account by the inquiry.

Mr Hattersley also asked if the auditors were likely to be investigated by the "standards body" of their profession, and whether the reported statement by the Governor of the Bank of England that institutions should stand or fall according to their own performance was intended to apply to companies within the City of London

Mr Lawson confirmed that the provisions of the Banking Act "insofar as they are relevant to this, and a great many are" – would be at the very heart of the inquiry.

While not seeking to prejudge the outcome of the inquiry, he said, "It may well be that it will be necessary to introduce to the House certain amendments to the Banking Act."

John Deere is fined Ecu 2m

By Andrew Gowers in London

THE European Commission has fined John Deere, the U.S.-based international farm machinery manufacturer, Ecu 2m ($1.44m) for allegedly seeking to prevent trade between EEC countries.

In a statement yesterday, Brussels also warned that it was pursuing "other inquiries" in the farm machinery sector.

The Commission said that Deere and three of its independent European distributors – Cofabel of Belgium, Louis Nagel and Co of the Netherlands and Dansk Oversokas Motor Industry of Denmark – had violated EEC competition rules by "imposing, accepting and practising" bans on the export of Deere products from one member state to another.

Deere had actively sought to prevent exports since 1975, although the first contract between Deere and a distributor which contained an explicit export ban was signed in 1967.

John Deere said in a statement that it did not "believe that the evidence before the Commission justifies this decision," adding that it was considering contesting the ruling before the European Court of Justice.

Mr Doug Walker, managing director of Deere UK, said he was surprised at the size of the fine but reserved detailed comment until the company had received documents on the case from the Commission.

The Commission attributed the size of the fine to "the gravity and duration of the infringement" but implied that it would have been considerably larger but for the depressed state of the farm machinery market in Europe and the fact that Deere had complied with EEC requirements in August 1983, the same month that the Commission sent the company a statement of its objections.

The trading practices referred to by the Commission were similar to those already vetoed in the car market. They arise because prices of farm machinery are higher in Britain and Greece than in other Community countries and therefore present an incentive to import.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	17	63	Dubrovnik	C	15	59	Malaga	S	17	63	Salzburg	C	2	36
Akrotiri	S	17	63	Faro	S	18	61	Malta	S	19	66	Seoul	F	3	37
Algiers	S	19	66	Florence	C	14	57	Manila	S	28	82	Singapore	C	28	79
Amsterdam	C	5	41	Frankfurt	C	5	41	Miami	C	25	77	Stockholm	Sn	-4	25
Athens	C	16	61	Funchal	F	19	66	Milan	F	7	45	Strasbourg	C	6	43
Bahrain	S	18	64	Geneva	F	10	50	Moscow	Sn	-9	16	Sydney	S	28	82
Bangkok	S	33	61	Gibraltar	S	16	61	Munich	F	5	41	Taipei	F	21	70
Barcelona	S	16	61	Guernsey	R	6	48	Nairobi	S	23	73	Tangier	S	17	63
Beirut	S	17	63	Helsinki	Sn	-7	19	Naples	F	17	63	Tehran	–	—	–
Belgrade	C	11	52	H. Kong	C	22	72	New Delhi	S	20	68	Tel Aviv	S	16	66
Berlin	C	-4	25	Innsbruck	R	2	36	New York	F	8	46	Tenerife	F	21	70
Biarritz	S	13	55	Inverness	S	6	43	Nice	S	13	55	Tokyo	F	9	48
Blackpool	R	7	45	Istanbul	S	10	50	Oporto	F	12	54	Toronto	C	15	59
Bordeaux	C	6	43	Jersey	R	10	50	Oslo	Sn	-3	27	Tunis	S	18	64
Brussels	C	6	43	Jo'burg	F	26	79	Paris	R	7	45	Valencia	S	15	59
Budapest	S	-2	28	Las Palmas	F	21	70	Prague	C	-1	30	Venice	C	7	45
B. Aires	C	24	75	Lima	S	24	75	Reykjavik	Sn	-3	27	Vienna	Sn	-3	27
Cairo	F	20	68	Lisbon	F	14	57	Rio de J'o	C	28	82	Warsaw	Sn	-5	23
Cape Town	–	—	—	Locarno	C	7	45	Rome	F	19	66	Zurich	F	7	45
Caracas	S	25	77	London	D	8	46								
Casablanca	C	19	66	Los Angeles	F	16	61								
Copenhagen	C	-2	28	Luxembourg	Fg	3	37								
Corfu	F	16	61	Madrid	F	10	50								
Dublin	S	4	39	Majorca	S	17	63								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1984.

FINANCIAL TIMES SURVEY

Discipline and loyalty have enabled Japan to build a powerful economy from the ashes of war.
But it may have to give more heed to creativity in future to maintain its markets.

Japanese Industry

Daley

Reconciling Confucius and the computer

By Robert Cottrell

ATTEMPTS to learn from Japan some of the secrets of industrial success usually result in deductions too limited or too bland to be of practical value.

Japan's industrial structure does not lend itself to generalisations. It includes lifetime employees and temporary part-timers. Marginal tax rates are high, but tax paid is low.

The least contentious lesson that might be learnt is that when a country is devastated by war and bas the choice of working or starving, it is capable of working very bard. Having succeeded through bard work, it does not readily or quickly sag back into laziness.

The Japanese, in spite of their soundly-rebuilt economic strength, still carry an acuta inner sense of vulnerability.

Prof Ronald Dore, the sociologist and student of Japaoese industry, argues that Japan's work ethic may be declining, but to a lesser extent than in other advanced countries, while technological sophistication is risiog more quickly than in other countries.

The result is an "optimal conjunction" between the two trends "so that you have lots of very bright scientists and technologists working in well-equipped laboratories and prepared to stay there until 11 o'clock at night—it being the second factor which differentiates them effectively from other countries."

Prof Dore's deduction is that in high-technology industry at least, there can be little doubt about Japan's sustained future superiority.

MANUFACTURED GOODS

	Production (m units)	Export (m units)	World share (%)
35mm cameras	12.79	10.76	84
Watches	122.79	100.81	82
Motorcycles	4.81	2.64	55
Bicycles	7.04	0.86	12
Telephones	4.70	3.12	66
VCRs	18.21	15.23	84
Colour TVs	12.37	6.60	53
Microwave ovens	3.78	2.69	71
Washing machines	4.98	1.30	26
Refrigerators	4.54	0.97	21
Calculators	66.54	51.24	77
Dry cells	2,017.24	633.72	31

Source: Japan Institute for Social and Economic Affairs.

There are already some areas in which Japan could scarcely improve on its record. It has two-thirds of the world market for large computer memory chips and 90 per cent of the market this year for the largest mass-production chip, capable of storing 256 thousand units of information.

World markets

Japanese companies produce the VHS and Beta video formats which hava conquored world markets and have made videocassette recorders the largest-selling of all consumer electrical goods.

Japanese shipyards still build more than balf the world's ships, even though the industry considers itself to be depressed, and ooe-third of shipyard capacity is mothballed on government orders.

Nobody can he quite sure how well the Japanese automobile industry would be performing unfettered by voluntary or mandatory restrictions, but few other carmaking countries are keen to find out.

It is popular wisdom in Japan that somewhere in the future, perhaps early oext ceotury, lies the "post-industrial age," a nebulous concept implying that Japanese workers will process data rather than physical materials, that the basic economic activity will be knowing rather than doing.

This vision may be of interest to futurologists, but Japanese industrialists have to look rather harder at the next 10 years or so, when industry is more likely to sustain the methodical modernisation which has characterised its development since the oil shock of 1974 compelled structural change.

In the last decade private and public sector co-operation has helped Japan cut its more basic and less profitable industries. Since 1977, domestic aluminium production has fallen from 1.2m tonnes to 235,000 tonnes per year. In 10 years employment in the coal industry has been cut by threequarters, in the textile industry by half, in shipbuilding and steel by almost half.

How dramatic will the next phase of modernisation prove? Will newly obsolescent industries join the casualty list? Will Asia's cars, ships and televisions be built in China and South Korea while Japan devotes its efforts to miracle drugs, software and unimaginable magnitudes of memory chip?

In practice, probably not. Japan's manufacturers and engineers are under pressure from newly industrialising countries in Asia and elsewhere, but they believe that technology is on their side.

Japanese car makers do not see the car as a mature product which anybody can learn to make. They see a fundamental shift towards cars made of new materials—plastics and ceramics. They see advanced electronics gradually overtaking not just the mechanical, but also some of the human elements of vehicle transport.

The driver of a big-city car perhaps 30 years in the future may need only to punch in a route and destination before settling back to let microprocessors do the driving. Most science fiction comes true sooner or later.

The videocassette recorder's growth is peaking, but Japanese electronics companies already bave their next-generation products on the market. Laser-read discs, potentially superior to tape for quality and qnaotity of information storage, may be the beart of home entertainment just five to 10 years hence.

The compact disc player looks poised for accelerating sales next year, as prices fall rapidly. The home videodisc awaits standardisation of a cheap recording process.

But these are, in turn, only devices. The Japanese vision is of a unifying system, which will link telephones, television, facsimile machines and computers, offices and homes, banks and supermarkets.

It is not an idle daydream. Japan's Information Network System is already under construction, perhaps the last great national project of the century, and due to be completed in 11 years. Frequently shabby and ill-equipped offices offer a rich prospect for automation.

Japan's post-war industrial success was founded on high productivity, overlaid in time with rigorous quality control. It is now triumphing in the application of existing high technology to create innovative industrial and consumer products.

Innovation

To the future, keeping ahead for Japan will mean increasing innovation not just in applied technology, but in basic research.

In spite of the successes of its semiconductor manufacturers and drug companies, it remains a conventional wisdom that Japan is better at applying than at originating technologies. The reasons for this can rarely have been better crystallised than by Mr Kazuo Nukazawa, director of the financial affairs department of the Federation of Economic Organisations (Keidanren).

"Unless the Japanese society as a whole gives more credit to creativity and originality," Mr Nukazawa said in an analysis of Japanese attitude towards internationalisation, "there is little bope that our engineers and researchers will come up with original designs and technologies.

"Yet, this earnest wisb to promote favourable conditions for individuality in research and development might prove as self-defeating as trying to make an omlette without cracking an egg if we persist in holding fast to the advantages of the prevailing Confucian society."

It is beyond question that adherence to hierarchical discipline and collective loyalty bas enabled Japan to promote more quickly than any other nation on earth the efficiency of its industry and hence the prosperity of its economy in the past 35 years. If the industry of the future demands adherence to a different structure, to different values, Japan will seek to adapt.

For the decade abead, Japan's main industrial problems are likely to centre not on producing goods which people want to buy but on maintaining market access in order to sell. By that time, it may have discovered, along with the cure for cancer and the omniscient semiconductor, the secret of reconciling Confucius with computer programming.

CONTENTS

A shift in the structure

Overseas Investment

JAPAN'S overseas direct equity and loan investments at the end of 1983 totalled U.S.$61.3bn, the fourth-largest of any nation, and 6 per cent of the world total.

New direct overseas investment in 1983 itself totalled U.S.$8.15bn, or 5.8 per cent more than in 1982, an acceleration partly reflecting higher loans by parent companies to their overseas subsidiaries to combat high interest rates prevailing overseas.

The 1983 level of new investment was still some U.S.$800m less than the record high of 1981, when large loans were extended to Indonesia for the exploration and export of liquefied natural gas.

Japan's overseas investments are undergoing a structural shift likely to continue through the 1980s. Companies are preferring industrialised countries over developing ones, and manufacturing investments are gaining ground at the expense of banking and sales.

Industrialised countries account for 56 per cent of all overseas investments by Japanese companies, compared with the 53 per cent share in developing countries in 1981. Japan's Ministry of International Trade and Industry estimates that some US$17.9bn has been invested in North America and another US$16.4bn in Asia. Capital investments in Japanese overseas subsidiaries in industrialised countries jumped from Y927bn to Y2.21 trillion between 1980 and 1983, according to surveys by the ministry, while investments in developing countries went up by only 50 per cent.

Japanese enterprises in developed countries have tended to be banks or trading companies for pushing made-in-Japan goods. Operations in developing countries have been almost entirely in manufacturing. But Japan has come under much pressure from foreign governments to invest in production rather than just sales.

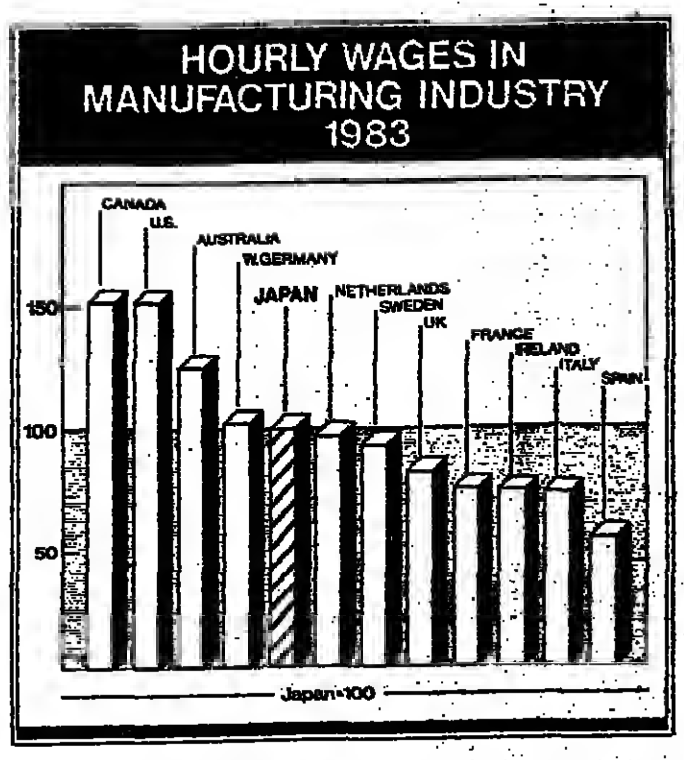
Manufacturing takes up 41 per cent of Japan's investments in the West, compared with less than one-third in 1981. In developing countries, investment in manufacturing has drooped from 90 to 85 per cent.

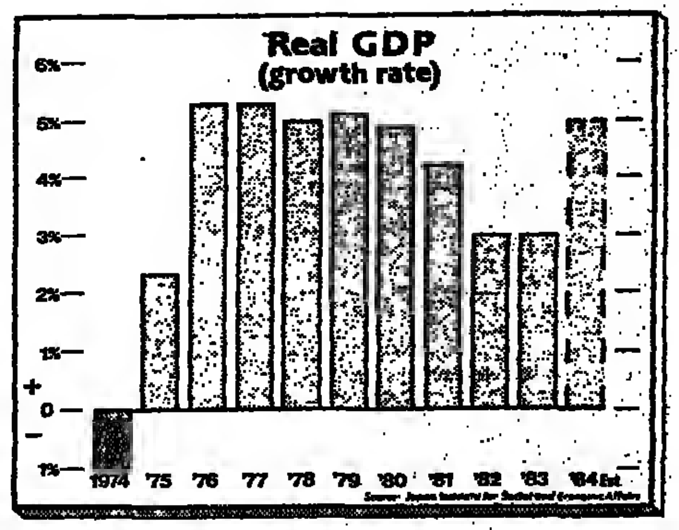
The rise in Japanese investment in Europe and North America, is not matched by profits. Japanese operations in almost every category of manufacturing have lost in developed countries.

Government officials blamed the losses on the U.S. recession in 1982.

Asia has remained the most profitable investment area.

Teresa Ma





Cracking the NTT stronghold

Telecoms

ON APRIL 1 next year, the largest restructuring of Nippon Telephone and Telegraph, Japan's government-owned telecommunications monopoly, is scheduled to begin.

The Japanese parliament (Diet) has to complete deliberations on three Bills concerning the partial privatisation but if, as is widely expected, the legislation is passed, NTT will be able to become up to 49 per cent public and a new direction for Japan's telecommunications market will be established.

Potential competitors are not waiting until next April to make preparations for battle. Some 25 companies have banded together to form Daini-Denden (literally "number two phone company").

Most are venture businesses and Kyocera, the company which has led this movement, has acquired exalted status and an extraordinary stock market rating for its entrepreneurial efforts both in this venture and in its pioneering work on ceramics technology. Other respected venture-oriented companies in the group include Sony, Secom and Ushio.

Competition with NTT has also been proposed by the state-owned Japan Highway Public Corporation which together with the Ministry of Construction and supported by dozens of companies in the automotive, electronics and general trading fields, plans to lay an optical-fibre network on its Tokyo-Osaka route.

A similar plan is proposed by the state-owned Japan National Railways for an optical pathway along the tracks of the Shinkansen "bullet train." This enterprise goes under the name Nippon Telecom and is supported on an initial equity basis by more than four dozen private companies.

Delay likely

Other new telecommunications groups include a communications satellite operating and transponder-leasing group organised by Mitsui, and C. Itoh two leading trading groups which will operate together with the communications subsidiary of Hughes Aircraft, the spacecraft manufacturer.

Although April 1985 is the date when, technically speaking, services can be started by private companies, there is likely to be a delay of as much as two years before such services materialise.

A case in point is the digital information link between Tokyo and Osaka proposed by Daini-Denden. Owing to cost factors, the company has had to give up its preferred plan to use a satellite communication system, and the microwave circuit it plans as an alternative will be constructed by NTT—from whom it must obtain permission for use—and has a completion date of 1987 at the earliest.

However, a momentum has built up towards involvement of the private sector in the telecommunications business such that a failure of NTT to at least begin to relax its all-powerful grip is becoming increasingly unthinkable. This momentum has evolved from the vigorous activity of outside groups in preparing to offer alternative services, and from a wider consciousness that Japan has to increase the rate of development of telecommunications services to keep abreast of internal demand for broader, faster and more efficient services to match those becoming available in the U.S. and Europe.

It is increasingly assumed that progress would be unlikely to materialise within the present NTT-dominated environment.

The business possibilities of the telecommunications field also appear set to produce some uncharacteristic co-operation between different forms of business organisation. Mr Noboru Goto, president of the Japan Chamber of Commerce, who is acting as a special adviser to Daini-Denden, said he was not opposed to merged activities by the chamber which deals largely with small businesses—and Keidanren, an organisation of big business companies. This could be a single enterprise which would share the benefits of a costly communications satellite.

There also promises to be an upsurge in business tie-ups between small venture-business firms and some of the giants. Mr Shingo Moriyama, vice-president of Kyocera and president of Daini-Denden, described this as essential for the new private telecommunications service.

The keyword in attempts by Japanese companies to crack the NTT stronghold will be co-operation. This will be necessary because of the enormous capital investment involved. Some estimates cost initial outlays at Y20bn for satellite facilities and Y30bn for fibre-optic pathways. But it will be important also because of the diverse range of technological expertise which will be required.

In this latter respect, interest is also strong in the participation of foreign companies. Moriyama of Daini-Denden has already upset Japan's telecommunications satellite makers by suggesting that U.S. satellites would be a more efficient choice than Japanese.

The Ministry of Posts and Telecommunications announced in October that it is to launch an experimental "super-communications" satellite in 1991 which will have a data transmission capacity 16 times that of the CS-3 satellite under construction, marking an important initiative in the satellite communications field.

Growing concern

The announcement comes at a time of growing demand from the Japanese business community for expanded satellite communications capacity. There is also growing concern that the Japanese government's insistence on the promotion of home-developed space technologies under the auspices of the Space Activities Commission could cause an enduring lag behind the satellite data-processing capacity of countries in Europe and the U.S., which possess more advanced space technologies.

Questions of foreign involvement in Japan's telecommunications market have also been conspicuous in relation to the provision of VAN services. A measure of liberalisation has been introduced and the flurry of activity which the "new" business prompted offers some indication of the readiness of Japanese companies to move into fresh areas of telecommunications business as they become accessible.

Japan's first private VAN services began in November 1983, and there are at least 17 VANs nationwide, run by 13 information-processing service companies. Strong interest in the provision of services has also been shown by big business groups such as Mitsubishi, Mitsui and Dai-Ichi Kangyo Bank, who wish to take advantage of the extensive internal communications networks they possess.

The main foreign companies showing interest in the market are AT & T of the U.S. and IBM Japan. AT & T Incorporated, a subsidiary of AT & T, has announced it is negotiating with 15 Japanese firms including Mitsui and the Industrial Bank of Japan for a VAN business tie-up under the name Japan ENS Kikaku (enhanced network service).

Roy Garner

IBM's dominance poses problems of independence

NEC chooses to go it alone

Computers

JAPAN'S computer industry, like others around the world, is largely dominated by the fundamental issue of the orientation of its companies towards tha activities of the U.S. computer giant IBM.

NEC is alone among the large Japanese makers in having taken a non-IBM compatible strategy in the manufacture of its mainframe machines. Although this has not necessarily been a mistaken path, NEC does hava a noticeably different character in terms of the competition of its products when compared with its local rivals.

The other key players of the mainframe business, aside from IBM Japan are Fujitsu, Hitachi and—on a smaller scale—Mitsubishi Electric. These companies depend on their IBM-compatible mainframe production for approximately 60 per cent of overall computer-related business. NEC stands out more for its heavy commitment to distributed data-processing equipment, and the company is unusual in that personal computers account for roughly 30 per cent of its computer business income. This compares with about 2 per cent for Hitachi.

For the companies which chose an IBM-compatible approach, the strategy has undoubtedly worked to their strong advantage. There have been times, however, when difficulties in relationship with the U.S. giant have brought up the worrying question of the degree to which Japanese companies should rely upon the technological direction of a foreign manufacturer.

This anxiety over the need for Japanese independence in basic research skills was never more apparent than during last year's IBM-led action against Hitachi and Mitsubishi over the alleged illegal purchase of trade secrets.

The advantages of an IBM-compatible approach have, however, become clear in the business opportunities which these Japanese makers are enjoying in hardware supply to local companies and foreign manufacturers.

On the domestic mainframe scene, NEC is largely limited to upgrading its installation base, whereas Fujitsu and Hitachi have been able to grow with the success of the IBM market. NEC and Mitsubishi Electric do, nevertheless, have a solid base shipping equipment to their Sumitomo and Mitsubishi group companies.

The most dynamic area of business for Japanese manufacturers is in exports. The export ratio for most manufacturers is about 20 per cent and is planned to rise towards 30 per cent as both market shares and growth rates become increasingly fixed on the domestic scene.

Dependence

Non-IBM-compatible companies in the U.S. and Europe are showing increasing dependence upon Japanese companies for the supply of IBM-compatible equipment. Among the most notable arrangements are those between Amdahl and Fujitsu and between National Advanced Systems and Hitachi, where the overseas company is almost entirely dependent upon the Japanese partner for supply.

Behind the trend is the Japanese ability to produce goods of high quality and low price at the earliest date after a new equipment standard has been set. This strength in cost-performance is an important factor behind the high levels of short-term growth which Fujitsu and Hitachi have demonstrated in peripheral equipment.

In the large-scale magnetic storage market, for example, the Japanese hava coped well with the arrival of key IBM products such as the IBM 3380 magnetic disc drive. Exports of magnetic storage devices to the U.S. are showing growth rates of 50 per cent or more, with the equipment being reputed to offer considerably improved cost-performance over the original IBM products.

This quality is not confined to IBM-compatible goods, however. NEC has also achieved a big new business advance in the export of mainframe equipment in its 1983 tie-up with Honeywell. It will supply 150 very large mainframe machines on an OEM basis over a three-year period starting in 1985.

Fujitsu has a fast-growing OEM export business to Amdahl, ICL of the UK and Siemens; Hitachi is enjoying quickening exports to NASCO, BASF and Olivetti; and Mitsubishi Electric is exporting a growing range of business and personal computer items to Sperry. Clearly another basic trend among Japanese computer-makers is towards an internationalisation of operations.

In the ICL/Fujitsu tie-up, the UK company appears not to hava succeeded in the local marketing of Fujitsu-made IBM-compatible machines. But forthcoming ICL equipment is expected to be increasingly dependent upon Fujitsu-supplied components, and the general relationship seems destined to continue for the immediate future.

A word-processor with Japanese characters

The benefits for Fujitsu are typical of those which Japanese companies seek in their growing linkage with U.S. and European manufacturers. In Europe, ICL and Siemens have a strong customer base, especially in the vital market of supplying larger systems to government-related agencies and large corporations. For Fujitsu the access gained to such market outlets is invaluable.

The prominence of Japanese makers in the production of high-cost performance mainframe and peripheral equipment is largely accounted for by their lead in the two related areas of semiconductor technology and "mechatronics" (electro-mechanical) engineering skills.

Computer peripheral devices commonly require a high level of precision mechanical technology in manufacture. Superiority in this field has allowed the Japanese to grab nearly half the world market for printers and floppy-disk drives.

Semiconductors play an indispensable role in the operation of a computer, and again in-house production facilities and high levels of investmeot in research and development have given the Japanese an important edge. The open secret behind the efficiency with which such know-how is converted into marketable products rests in the tradition of the integration of quality control into the designs of production processes.

Focussed

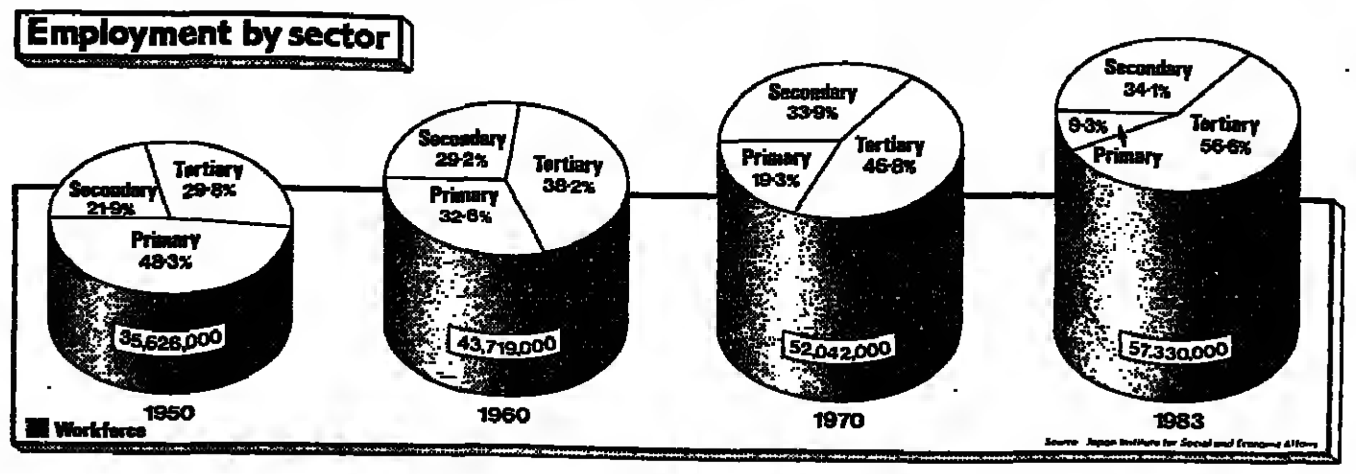
For three of four years, media attention has been focused on the boom in office automation, or O/A, and there has been much talk about the migration of the computer from office to home. Recent developments have shown, however, that in Japan the home-use market is far from maturity, and the real growth in the personal computer market is in top-end, business-use machines.

This is linked closely to growth in distributed data processing and tha increased use of local area networks.

NEC concentrated the development of terminal equipment for this market, and tha long-term strategy has paid off handsomely, with the company now holding at least 50 per cent of the Japanese personal computer market.

Roy Garner

Employment by sector



Source: Japan Institute for Social and Economic Affairs

Doubts over innovative abilities of small companies

The battle to keep competitive edge

Venture Capital

EQUAL AMOUNTS of excitement and scepticism have been generated by the so-called "second venture business boom" in Japan.

Venture business are small start-up companies in the field of high-technology. The excitement results in part from the Japanese Government's view that nurturing venture businesses is essential for Japan to keep a competitive edge over other industrialised countries. The scepticism stems from the doubt that a society which operates on a long tradition of consensus and conformity will produce people with the ability to innovate.

Among those who have voiced doubts are bankers and financiers whose support venture businesses need for success.

The Japanese Government estimates the size of venture business in Japan to be around 5,000 companies, while more conservative estimates put the figure at less than 500. A substantial number of these supposed venture businesses are not involved in high-technology development but are in publishing, services and even consumer finance. Many are not independent or start-up companies.

Japan is better known for its industrial giants, but the success of these big companies depends on a chain of sub-contractors and suppliers, operating on tight margins. An estimated 65 per cent of all small manufacturers in Japan are sub-contractors to companies in the major league.

As sub-contractors, these small to medium-sized companies make parts according to prescribed requirements and have found little incentive to experienme with new designs.

It is in anticipation of structural changes in Japanese industry that the Governmeot is devising ways to foster the growth of venture businesses. Slower economic growth is restricting the big industrial corporations, creating a more positive environment for those small manufacturers with imagination and an entrepreneurial spirit. The slower economic growth also means that there is more loan capital looking for new investment opportunities.

Sophisticated

In addition, Japanese consumer needs are becoming more sophisticated and diversified. Small- and medium-sized companies are better at sensing social trends and can afford the flexibility to adapt their products according to switches in consumer demands.

"Before, Japan's economic growth was driven by mass production and sale, but now the big companies have reached a mature level and cannot meet the segmented needs of a more affluent society," says Mr Akio Nishizawa, an economist at Japan Associated Finance Company (Jafco), the country's oldest and largest venture-capital concern.

Jafco was set up in the early 1970s in the hope of cashing in on the growing number of venture businesses in Japan but its hope was dashed when many of these venture businesses went under during the oil crisis of 1973-74.

After nearly a decade of dealing in consumer loans, leasing and bill discounting, Jafco is back in the venture-capital business and its faith in the "second venture-boom" seems unshakeable.

"We must develop high-value, high-techoology goods and small and medium-sized companies can fill the need more quickly," says Mr Nishizawa. "If we do not succeed in these changes, Japanese industry will not survive."

Jafco has established seven partnership funds since 1982 and had raised yen 32.45bn ($133m) by the end of July this year.

Japan's Ministry of International Trade and Industry is looking to the U.S. as a role model in its promotioo of venture business in Japan. Naturally, questions are being asked whether the American experience in Silicon Valley can be duplicated in a Japonese context. Finding the right quality of personnel lies at the heart of the problem.

In Japan, qualified people have tended to work for established corporations which offer jom security and up-to-date work facilities. But there is now a growing number of engineers and computer programmers leaving their guaranteed life-long employment with a big corporation to join smaller firms; claiming that working for a big corporation yields less of a challenge and less job satisfaction.

Jafco's Mr Nishizawa says that such "spinout" have so far been limited to technical professionals and that trained personnel in finances and management are needed to supplement the growth of venture businesses.

More than 50 venture-capital companies are operating in Japan, most of them formed less than three years ago.

About half of these concerns are linked to securities houses which hope to profit by assisting venture-businesses obtain a listing on the stock exchange.

Low margin

A number of city banks have also set up subsidiary venture-capital companies or special units to look into venture capital. But their views regarding venture business have remained conservative. "We are not certain because of the high investment risks as well as low profit margin," said one banker. It takes a long time to recover investment in small companies."

Venture-capital companies can rup up very high overhead costs because of the difficulty in seeking out small companies and assessing their investment potential.

The owners of small companies tend to be very protective toward their business and take a lot of persuading before they will admit outside equity participation.

City banks, because their traditional clients are big corporations, find the process even more vexing. Japanese legislation bars venture capitalists from becoming directors of their portfolio companies, rendering the role of venture capital to more of an alternative to borrowing.

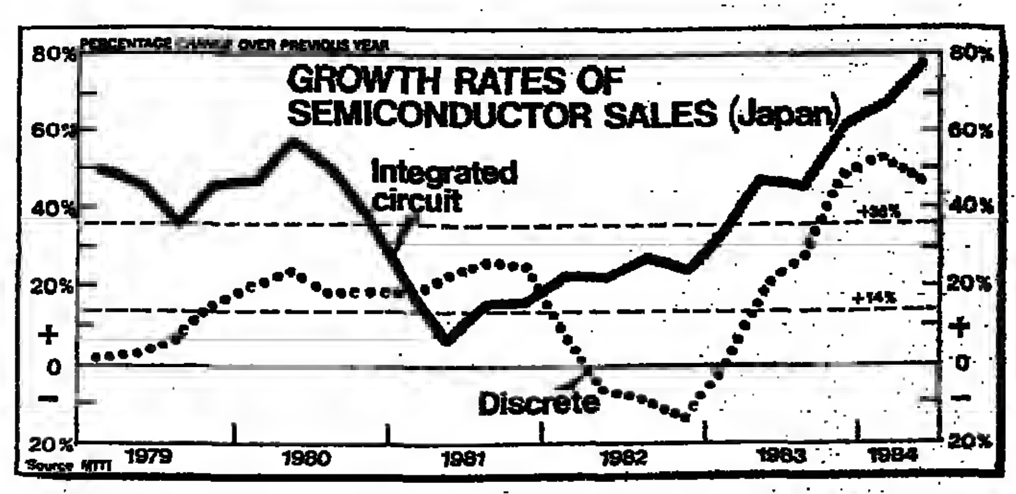
Teresa Ma

Japanese Industry 4

Investment is rising by 50 per cent a year. Roy Garner reports

Hunt for speed and capacity

Semiconductors



JAPAN CONTINUES to display a high level of interest, both within industry and in government research, in the rapid development of semiconductors featuring greater speed and larger storage capacity.

The nation's concern is one shared by most leading industrial countries, who realise that such devices are likely to remain fundamental to data-processing operations in the foreseeable future.

Investment by Japan's major manufacturers of integrated circuits is growing by an average of 50 per cent annually and is expected to total well over £1.56bn in 1984, up from £1.07bn last year.

The areas of research attracting most attention are complementary metal oxide semiconductors (CMOS) technology, which offers improved data storage capacity through low power consumption, and gallium arsenide (GaAs), which offers dramatic improvements in processing speeds.

Interest is also still strong in the race to mass produce more powerful very large-scale integration (VLSI) memory devices based on silicon. Makers are into the era of 256 kilobit dynamic Random Access Memory (DRAM) chips which are fast superceding the staple 64 Kbit DRAM device. The 64K has fuelled many advances in the production of cheaper and more compact office automation equipment.

Research

The successful production of improved VLSI's hinges on the increasing sophistication of the fine etching techniques are used to imprint circuit patterns onto silicon wafers.

In November, Toshiba announced the development of a 1 megabit (million bit) DRAM using an advanced microlithographic technology capable of drawing circuit lines of 1.2 micron width.

A five-year, £17m project to develop a 100 megabit chip by means of ultra-fine etching techniques, enabling line widths of as little as 0.25 micron or below, was proposed by Prof Shoji Tanaka of Tokyo University in March and received the support of Japan's Ministry of International Trade and Industry.

Tanaka's group forecast that the total VLSI market, including the 100 megabit chip, could be worth about £3.5bn by the year 2000, requiring production of about 10bn chips annually. GaAs's strength in new materials research and development promises, however, to prove of even greater significance than its long recognised expertise in high quality semiconductor mass-production techniques.

Silicon-based devices have a limited future as increasing data volume and the gradual introduction of optic devices, necessitates the handling of information at greater speeds.

The switching speed of a transistor is limited by the electron mobility of the substrate material and, in the case of silicon, this is 800 units (sq cm/volt second). GaAs is the most promising of the new materials which can offer a superior performance and has an electron mobility of 4,000 to 5,000 units.

Japan is generally considered to be conducting around 70 per cent of the overall research into GaAs going on around the world. GaAs has an additional bonus, as a chip-making material, in its potential use as a substrate material for laser semiconductors and digital/optical converters.

Where optical fibres are used to connect a computer and a terminal, the presence of optical signal converters generally slows down data flow. GaAs, however, has properties which could allow the development of an integrated device in which these optical converters are fully incorporated, allowing greater reliability, smaller size and reduced cost.

Combinations of GaAs and other materials also hold much promise. One example of this is the high energy mobility transistor HEMT, developed by Fujitsu, which combines gallium arsenide and gallium aluminium arsenide. HEMT devices, when cooled to temperatures as low as—196 deg centigrade, promise operating speeds at least 25 times faster than those possible with silicon.

CMOS technology is considered useful because it offers low power consumption, which could soon underpin the development of battery-powered and portable personal computing equipment.

Expansion

In February, Toshiba announced the production of a CMOS 256 Kbit static RAM semiconductor. Mr Susumu Kohyama, Toshiba's CMOS technology manager, said the new chip had been achieved by technological breakthroughs which included a dual word-line circuit design which served to localise power consumption exclusively in the area which is currently working, and the use of an automatic power-down function.

The chip will be applied especially to advanced office automation equipment, and the company claims that similar devices will soon lead to the realisation of "a big computer which can be carried in a small briefcase."

Fujitsu has Japan's highest level of semiconductor plant and equipment investment, about £313.75m, and this figure could grow as high as £500m in 1984. Fujitsu will open an integrated circuit factory in the autumn and is expanding its present factory in northern Japan.

Both Hitachi and NEC are expected to attain a 1984 investment figure of £312.5m.

Toshiba's overall capital investment in tha semiconductor field stood at over £187.5m in 1983.

Matsushita Electronics, a joint venture of Matsushita Electric and Philips, has embarked on an integrated circuit plant expansion costing between £203m and £250m—more than doubling semiconductor equipment investment.

Oki Electric has also doubled investment to about £62.5m for the coming year, and is producing 3m per month of the 64Kbit DRAM chips.

Mitsubishi Electric has completed work on a £94m production plant which will have an initial output capacity of 5m 64K chips per month. The plant features an almost completely unmanned operation and an on-line computer link with the company's research and development headquarters.

In April Toshiba opened a £62.5m VLSI research centre, near Tokyo which will specialise in development of front-line technologies such as three-dimensional chips, sub-micron VLSI's on a silicon substrate and very high speed GaAs devices.

A key feature of the plant is 4,000 sq metres of "super-clean" rooms. These will be cleansed by a circulation system in which air descends from the ceiling and is filtered out through vents in the floor.

The Japanese government has shown itself to beaware of the massive investment burden faced by IC manufacturers. Mr Keijiro Murata, MITI Minister, said in November that the government is considering an extension of the two-year temporary measure which shortens the depreciation period of IC manufacturing equipment, and is dua to expire in 1985.

Slipping a disc into the market

Consumer Goods

Akio Morita, chairman of Sony Corporation, has already declared 1985 "the year of the compact disc."

Mr Morita's prediction was made at the launch of tha product on which his forecast is based—Sony's palm-of-the-hand sized "D-50" compact disc player, retailing in Japan at a list price of Y49,000—half the price of previous CD players, and comparable with the cost of a good-quality conventional turntable.

The compact disc player is the audio manifestation of the laser technology likely to dominate home entertainment in five to 10 years. A conventional turntable uses a diamond stylus to trace the conteurs of a continuous groove in a plastic record. A CD player uses a laser to "read" microscopically-etched indentations on the surface of a small reflective disc.

The result is a mass-produced CD player which can equal the sound quality of the most expensive limited-edition conventional hi-fi turntable and leave no wear on records.

The video equivalent of tho CD will take longer to gain ground. While Pioneer's laser-disc format players are widely available together with a library of feature film and rock video titles, the laser discs so far lack the home-recording facility of their chief rival, the video-cassette recorder.

The valoe of Japanese videodisc player production has fluctuated this year between Y3.5bn and Y4.5bn monthly. This is a fraction of the value of video-cassette recorder production, this year worth Y150bn to Y180bn monthly.

Video-cassette recorders are the industry's biggest-selling consumer product, but in recent months the rate of sales growth seems to have peaked. Some analysts say slower sales growth, in Japan at least, may reflect consumer hesitation over whether other video formats, such as 8 mm tape or discs, may be emerging as alternatives to the VHS and Beta video-cassette formats.

Nomura Securities, Japan's largest stockbroker, expects a slower growth rate in VCR production to be compounded by lower average unit prices. Nomura expects Japan's unit production to rise from 26m in 1984, to 32m in 1985 and 36m in 1986—rises of 23 per cent and 13 per cent respectively.

But the value of those sales will rise from Y1.88 trillion million million) in 1984 to Y2.10 trillion in 1985 and Y2.13 trillion in 1986—rises of 12 per cent and 1 per cent respectively. Lower average unit costs are likely to reflect not only the economies of mature mass-production, but also competition from lower-cost South Korean manufacturers, whose licensing agreements free them to begin VCR exports in March 1985.

Nomura expects, however, that promising new products will help cushion consumer electronics companies from decelerating VCR sales. It believes production of compact disc players will rise from about 700,000 in 1984 to 2m in 1985, and production of video disc players will double from about 400,000 this year to about 800,000 next year.

Japanese manufacturers also nurture hopes of a sustained medium-term boom in television sales, with the introduction of a new generation of sets using digital alectronics.

Digital television sets may incorporate such standard features as freeze-framing, multiple picture display and zoom-focussing, and picture printers. Nomura expects digital TV production to rise from 18,000 sets worth Y2.7bn in 1984, to perhaps 2m sets worth Y240bn in 1986.

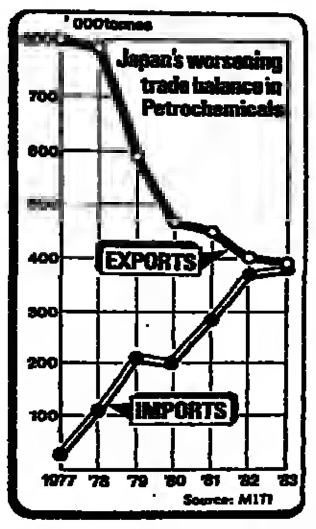
Growing consumer sophistication, and lower unit production costs, mean that some types of electronic products aimed at office and business use are becoming increasingly popular for home and personal use.

Facsimile machines are likely to become commonplace in homes within the next 10 years. Nomura Research Institue says it expects Japan's production of facsimile machines to jump in value from Y169bn in 1983 to Y425bn in 1986; Japanese word-processor production value to rise from Y71bn in 1983 to Y130bn in 1986; and electronic typewriter production value to rise from Y90.1bn in 1983 to Y200bn in 1986.

Robert Cottrell

Drifting downstream in search of sunrises

Petrochemicals



SUNSET industries throughout the industrialised world have been running hard to prove their long-term viability. Nowhere, perhaps, has the exertion been so sustained and as organised as that of Japan's petrochemical industry.

An examination of tha industry's recent history, however, shows that even an orchestrated survival plan for a mature industry cannot be counted on to provide swift, complete results. Japan's dramatic overhaul of its petrochemical capacity and sales structure is a first step in what is likely to be a 10 to 15-year transformation.

Petrochemicals represented Y19.1 trillion sales in 1983, accounting for 8 per cent of Japan's manufacturing industries and placing it fifth among all industries after transportation equipment, electronics, food and engineering and machine tools.

Although young in international terms—Japan entered petrochemicals in earnest only in the early 1960s—the sector has rapidly matured in line with other national petrochemical sectors around the world.

Japan, like the rest of the world's chemical industry, experienced a roller-coaster ride in the 1970s, beginning with the 1973-74 oil crisis and then the mini-boom in the second half of the decade.

Ethylena production, tha indicator for the industry, fell between 1973 and 1974 from 4.18m tonnes a year to 3.4m tonnes. But between 1974 and 1979, production rose from 3.4m tonnes to 4.78m tonnes. The second oil shock and worldwide recession put the industry in an unexpected reverse and by 1982 ethylene production had sunk to 3.59m tonnes.

The drop in production was not altogether due to slumping demand in Japan. The country also saw a marked shrinkage of chemical exports, a trend which seems almost anti-Japanese.

The reason was simple: the country's petrochemical production is based on naphtha, derived from imported oil. The country's competitors were selling chemicals based on natural gas, a cheaper feedstock. Japanese labour advantage had become e negligible advantage and productivity improvements could not be found.

As a result, exports fell from about 20 per cent of the industry's output to 10 per cent by 1981.

In 1978 Japan was exporting 146,000 tonnes of polypropylene to South-east Asian markets: by 1983, this figure had shrunk to 64,000 tonnes. The U.S., meanwhile, had boosted exports during the same period from 41,000 tonnes to 193,000 tonnes a year.

Ethylene

This weakness showed at the bottom line for Japan's 12 main chemical companies. In 1980 they had sales of Y3.1 trillion (million million) and profits of Y46.8bn. The following year profits had turned to losses of Y57.7bn, which in 1982 deepened to Y82bn.

At this point, the Japanese industry went into action. With an eye on new capacity in Canada and Saudi Arabia, it went into consultations with the Ministry of International Trade and Industry (Miti) on a proposed restructuring which would mean temporarily suspending anti-cartel laws.

"We are free to talk to the private sector. In West Germany, for example, there is no tradition of Government bureaucrats having frank talks with business people. Also business people never give ideas to bureaucrats," says Mr Akira Takashima, Miti chemicals director.

The result of these talks was a plan for a brutal cut in production. Ethylene capacity was to be cut by 36 per cent in 1985, low-density polyethylene by 37 per cent, high density polyethylene by 25 per cent and PUC by 24 per cent. Sales networks were reduced from 32 to four for polyethylene and polypropylene an d from 16 to four for polyvinyl chloride.

Its aim was to bring domestic supply and demand roughly into line, allowing for a small amount of imports an derports. However, the Japanese underestimated the marketing strength world-wide of the new producers, particularly Saudi Arabia. In addition, it did not fully take in that other petrochemical sectors, notably Europe's, were not rationalising to the same extent.

As a result, Japan's chemical industry faces lough problems, even though it is on targel for shutting nearly a third of its capacity. Mr Akio Kobayshi, an executive with Sumitomo Chemical, puts lt bluntly: "About 70 per cent of our husiness is in petrochemicals and tbat business is handicapped."

Mr Yukio Kawamura, of Mitsuhishi Chemical, says tha world-wide recovery of the chemical Industry will be over by the second half of next year. "Thera will he chaos in pricing, basically hecause of over capacity."

Mr Kohayshi says that the industry planned on 567,000 tonnes of ethyelene-based imports by 1990; now the industry expects imports to be at 700,000 tonnes by the end of tbe decade — almoat twice their current level.

Miti officials are confident that solutions can be found. First, Mr Takashima points out that more restructuring may have to be agreed hy the big chemical companies. Second, he forecasts a gradual shift by the companies to product areas less vulnerable to price swings.

"Petrochemicals are sunset industries, hut within chemicals are many sunrises," he says. "Commodity petrochemicals will becoma less signficant. We should become a net importer of commodity chemicals within 10 years.

Kirin is bringing new images to its beer

Plant Operation Rate in Japan (%)

	1981	1982	1983	1984 1st qtr.	1984 2nd qtr.
Ethylene	59.8	58.8	59.0	72.2	70.9
Low density polyethylene	64.1	63.2	57.9	77.3	79.0
High density polyethylene	65.7	65.5	69.4	89.9	85.7
Polypropylene	78.6	75.9	85.1	96.2	95.6
PVC	51.8	60.6	69.6	79.3	68.0

Source: Mitsubishi Chemical

"Our basic plan is to reduce losses and introduce profits into the new, bopeful fields of the industry. We must get profits of the commodity businesses at the appropriate level and then uae it lo go downstream."

Few talk of constructing trade harriers. The country is too dependent on its strong export-led industries lo consider hlocking exports from other countries. Instead, cbemical companies are working to diversify their product base and get out of the crossfire of commodity-chemical price wars.

At Sumitomo, for exampie, more emphasis is heing put in five growing areas: electronic chemicals, pharmaceuticals, agriculture-relaled chemicals, new materials and service sectors. By the end of the decade, the group hopes to boost pharmaceutical sales from Y10bn to Y150bn—about 12 per cent of sales.

This process is going on throughout the industry. Japan's chemical industry does not rank with the world-wide leaders such as Hoechst, Bayer or ICI in lerms of sales. Its largest chemical group, Mitsubishi, ranks about 13th in the world ieague as a result, its long-term future depends on sensible diversification.

Other companies leading the move to diversification include:

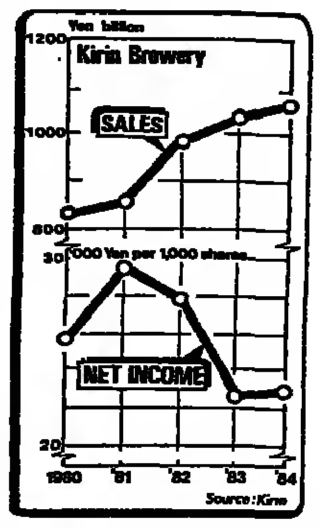
- Mitsubishi Gas Chemical. This group's product mix is changing rapidly, with a new emphasis on sales of engineering plastics and copper-clad laminates used in industrial machinery, automohiles and consumer electronics. Nomura Securities say engineering plastics are expected to grow at 35 per cent this year and 25 per cent next year.
- Toya Soda. Speciality chemicals already account for 15 per cent of the company's sales, ranging from new ceramics to artificial sweeteners. One of its hopeful new ceramics is stabilised zirconia, being used in the manufacture of oxygen sensors but with possihle applications in the motor, electronics and energy fields.
- Dalcel Chemical. One of Japan's oldest chemical groups, it is expanding its speciality division with the development of the optical magnetic disc.

"Even in the downstream field, the Industry wiil bave to meet real competition, hut in the medium and long term, this is the natural way of cbanging the industry," Mr Takashima says.

Carla Rapoport

PROFILE: KIRIN BREWERIES

Beer loses its bottle



KIRIN, the world's third largest brewing company and the quiet giant of the Japanese beer industry, bas a comfortable 60 per cent share of the market. But it has decided thet its future must include more than producing brown bottles of beer.

The reasons for diversification are simple. The Japanese beer market has atabilised, with 2 per cent growth projected this year. Imported beers are encroaching on what growth is left, while taxation on beer—almost half the retail price of a can—shows no sign of abating.

"Beer is a national drink," says Mr Etsuko Yamaguchi, a senior official at Kirin in Tokyo. "Bnt younger people have a more open attitude to imported beer than their parents. Anyway, we think the market is mature and as a result we want more pillars to our husiness."

The company aims to have 30 per cent of profits in non-beer activities within 10 years—currently less than 7 per cent. But bow does a one-prodnct concern diversify without spreading management or capital too thin? Kirin's answer is to first push into areas in whicb it bas some expertise.

In Japan, most diversification has been concentrated on its work in nharmaceuticals, which has capilalised on the company's knowledge of fermentation and micro-organisms.

Some promising products are in prospect, leading Normura Securities to predict that Japanese drug companies wili come lo see Kirin as a "formidable competitor."

Packaging

The company contends its main activities to be drugs, aeeds (such as hybrid seedlings for grains and foodstuffs), engineering, food and beer, says Mr Yamaguchi. To support the four newer areas, Kirin has virtually doubled research spending in two years to Y7.5bn with some Y10bn expected to be spent annually by 1986. Five years ago, the group was paying just Y1bn to Y2bn a year on research.

Diversification is also in hand within the beer husiness. After decades of producing its familiar tall, brown bottles of Kirin, the group last year launched 15 new beer products, using new packaging materials and aiming at specific consumer groups.

To back up the new products—which range from the white plastic Beer Shuttle to tinned Kirin with a pacsket of rice crackers attached—the company had boosted its advertising budget by 50 per cent in the first balf of 1984 to Y6.4bn. This still amounts to less than 2 per cent of Kirin's sales, but represents a new step for the conservative company.

"We wanted people to enjoy the container as well sa the beer and double the pleasure," says Mr Yamaguchi. "The Japanese do not believe that brown is beautiful. Blne on white (with Beer Shottle) suggests coolness and freshness."

Bioreactor

Not surprisingly, the Shuttle is performing best of the new products launched this year.

Of Kirin's 200 scientiats, about balf are atill engaged on beer and heer production, hence the group's growing interest in engineering. In the fairly near future, the group hopes to launcb its bioreactor melhod of beer production. Calling it a "revolutionary" way of modernising the fermentation process, Kirin believes that if the new reactor can be produced in large numbers, "it wili make all present equipment obsolete."

The new technique relies on a continuous fermentation production line which, in 24 hours, allows the producer to skip the week-long tank fermentation process.

"We are the most advanced lnt his area and we are nearly there. If that happens and we sell lhis technology ahroad. we can forecast that all the beer compsnies in Brilain and West Germany will want it," said Kirin.

The company estimales that the new process will save brewers about a fifth of production costs. Also in the area of engineering, the group hopes lo license ils rohotic lechnology for checking returnable hottles for defects. These and otber related products could boost the company's engineering presence worldwide.

In pharmaceuticals, Kirin stresses thal It is some three to five years away from commercialising any discoveries and that its drug division is at least 10 years away from generating a positive cash flow. Nonetheless, it has a number of interesting products which hold out hope in lbe cancer, leukemia and anemia fields of researcb.

It bas already formed joint ventures with U.S. and Japanese drug companies to develop these products more swiftly.

One, the EPO hormone, which is a naturally occurring substance, should be ready for commercial launch in about three years. The product will initially be used to treat anemia caused by kidney problems.

Research

Of equal importance to Kirin is researcb into hybrid seedlings—high-yielding seeds for corn, soyabeans and wheat. It is also investigating rice seedlinga, using biotechnology lo look for disease resistant, high-yield strains. In other areas of food, it is looking at ways, for example, to grow tomaloea in a cold climate.

"Toward the 21st century, this will become very Important," forecasts Kirin. This research will help hroaden the base of the company'a food divislon, which specialises in snack foods.

Beyond these diversification plans, Kirin is also keeping an eye on expanding Its markets. It exports 800.000 cases of beer a year to the U.S., for example. Next year, the level will reach 1m cases, at which point the company wil begi nlo consider setting up production facilities in the U.S.

It produces Helneken beer in Japan, so it may turn to Heineken to produce its beer under license in the U.S. The group stresses, however, that it has made no decislon.

With all these projects underway, Kirin promises to he a different company hy the end of the decade.

C.R.

Be patient and industrious, West told

Import Promotion

FEW SUBJECTS are more emotionally charged than that of the large trade imbalance Japan maintains with most Western countries. And as with most emotionally charged subjects, stories surrounding the topic provide a source of rich conversation.

Most businessmen in Japan are familiar with the tale of a Japanese customs official who rejected a container of ripe Filippino pineapples because the name of the fruit was incorrectly spelled with a hyphen between pine and apple.

But first some facts. The U.S. negative balance of trade with Japan jumped from $25bn in 1980 to $61bn in 1983, while Britain's positive balance of trade of $3.7bn in 1980 melted into a negative $813m in 1983. Overall, bilateral trade stood at $700m in Japan's favour in 1983, with Japanese exports totalling $2bn and imports $1.3bn.

Currency factors and weaker energy prices play a large role in this recent worsening of Japanese trade with western countries. But senior Japanese officials throughout government and industry know that extenuating circumstances will not calm foreign governments.

Trade restrictions against Japanese exports would be disastrous for the country. As a result, efforts to sooth this problem have centred in two main strategies: import promotion by the Japanese and the encouragement of overseas investment programmes by Japanese companies.

Investment abroad cannot be directly sponsored by government although import promotion has been for some time. The Japan External Trade Organisation (Jetro), is the key through import fairs, offices abroad, and a large Tokyo base.

Jetro's budget is not massive. Last year it intended to spend $3.9m on "drastic enhancement of overall import promotion projects"—but this was up from $2.3m in 1983, when foreign executives complained that the budget was too small to deal with their many problems. Jetro says that no other industrialised country goes to such lengths to encourage imports.

The European business council in Japan, however, recently called for a series of meaningful relaxations in import controls. These included faster evaluation of new pharmaceuticals, acceptance of OECD data in the approval of pesticides, compliance with the EEC and U.S. on allowable food additives and cosmetic ingredients, and recognition of international standards for electrical goods.

Japanese officials counsel patience Mr Masaya Miyoshi, senior managing director of Keidanren, Japan's federation of economic organisations, calls for western companies to be as industrious as Japanese businessmen when learning to sell in overseas markets.

"Surely you can study the Japanese language and change the specification on your goods to please the Japanese taste," he says.

Japan's complicated distribution methods is a barrier to many foreign companies, but as the Japanese point out, so is it to young local businesses.

"Our society is more closed than most Japanese admit. Legal changes can help but it can't change the society. We need little shocks and this is something that we can work together on but we can't expect quick changes," Mr Miyoshi concludes.

Carla Rapoport

Double-digit profit growth ends with spending cuts

Pharmaceuticals

JAPAN'S $17bn a year pharmaceutical industry, the second largest in the world, is under severe pressure. How the industry copes in the next few years with government restrictions and costly distribution will determine whether the industry can become a significant force in overseas market.

The indutry grew repidly in the 1970, purred on a much by the inventiveness of it young reearcher as the government-sponsored health care scheme *which allowed doctors to make* a profit on every prescription drug prescribed. This profit derived from the difference between the government reimbursement for the drugs and the discounts granted by drug wholesalers.

Not surprisingly, the value of drug production nearly quadrupled between 1970 and 1983 from Y10.2 trillion (million million) to more than Y40.3 trillion.

The country's overall health care expenditure jumped even more sharply in the same period—from $10.2bn to nearly $65bn—but the Government picked the drugs bill as a target for reduction.

As government officials pointed out overall spending on health had crept up from 3.5 per cent of GNP in 1970 to about 5.2 per cent of GNP in 1983. The drug bill as a percentage of health spending was around 30 per cent, some three times higher than that in Britain.

Over the last few years the Government has ordered deep cuts in the allowable reimbursement prices of most prescription drugs. In mid-1981 this meant a 18.6 per cent reduction for most products; in 1983 another 4.8 per cent and this year a 16.6 per cent price cut was announced. A decade of double-digit profit growth was becoming a thing of the past.

Chilling

This year's cut was even deeper *than it seemed*. In the past the Government had generally exempted some new drugs, allowing companies with the heaviest research costs to recoup some through relatively high prices. In the 1981 cuts for example, six new drugs were approved for sale at relatively attractvie prices. This year only two drugs were allowed high prices.

Fujisawa, one of Japan's leading drug companies, says the most recent cuts have had "a chilling effect not only on Fujisawa's business but also on the entire drug market of Japan.

Nomura Securities minces no words in a report: "The government'e moves to deal with the balooning costs of health spending has adversely affected chances for continued high growth in the domestic drug industry."

Nomura predicts, for example, that earnings per share for Fujisawa will drop from Y44.4 in the year ended last March to Y28 in both 1985 and 1986. Although less severe than Fujisawa, marked drops in earnings per share are also predicted for companies including Yamanouchi Sankyo, Takeda, and Shionogi.

The pharmaceutical companies point out there have been some positive sides to the Government's moves. For example, they have helped the market.

The 1981 price cuts allowed higher prices for drugs with new properties, so that more than 300 small and medium-sized drug companies have merged or folded since then. This has helped slow the annual growth of Government medical spending from an average of 13 per cent between 1970 and 1982 to 4.6 per cent in 1983.

As a senior official of Banyu points out, there are more than 1,700 drug manufacturers in Japan—90 per cent of these employing fewer than 100 people. Fewer than 50 apply for new products annually. These are the companies which deserve to prosper and become the core of an international pharmaceutical industry.

Japan's pharmaceutical industry exports only about 3 per cent of output. It has been more successful in licensing some products to foreign companies for sales abroad, but even here the trade balance is lopsided in a distinctive non-Japanese way.

In 1982, for example, Japan's drug companies had 193 products licensed to foreign businesses for total earnings of Y664bn. In the same year, however, it had licensed from foreign firms 118 products at a cost of Y1.3 trillion.

Japanese producers are questioning how they can marshal resources to reform inhibiting factors such as price cuts and wasteful distribution in order to develop new products and learn to market them abroad. Ironically, the government has picked the pharmaceutical industry as one which will enrich Japan's future.

This October, the Ministry of Health and Welfare received the final report of the Drug Industry Policy Research Council, which studied the industry's problems and recommended measures to ensure success in the future.

It noted the fragmented nature of the industry and its low export record, and said the costs of sales and general administration were extremely high.

Fragmented

Distribution networks of all consumer goods are very complex in Japan. In some cases, such as retailing, they provide a sort of social security system for the elderly, who take largely unnecessary jobs at low pay and don't lose them because of the Japanese reluctance to sack employees.

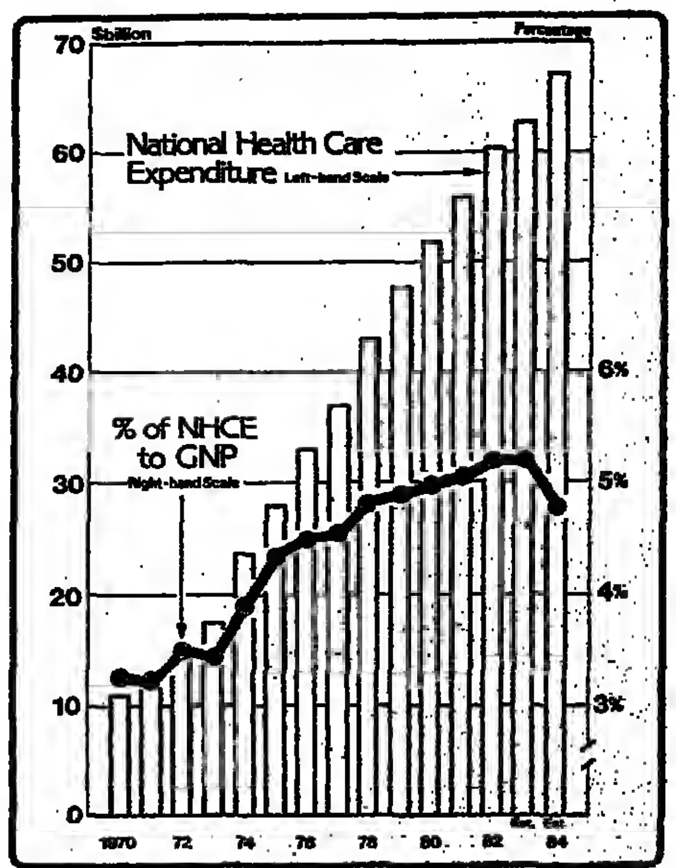
In Pharmaceuticals, the wholesaling network has mushroomed because of the large number of companies and the system of discounts and reimbursements which allow a series of small profits to be made between manufacturer to patient. It is estimated that Japan has some 80,000 drug salesmen, or one for every two doctors. In Britain, there is only one for every five doctors.

The report calls for rationalisation of this system, with the money saved being ploughed back into research.

The time for these reforms is more than ripe. After decades trying, foreign drug companies are gaining ground in Japan. Merck, the U.S. drug giant, has taken a majority stake in Banyu, while Ciba-Geigy's Japanese subsidiary is no longer selling its products through local agents but is working independently. Glaxo and Beecham of the UK are also gaining ground.

At the same time, Japan's chemical companies are ploughing money into pharmaceuticals as the rewards of commodity chemicals continue to grow dimmer.

Carla Rapoport



Competition leads to 'hard times'

Shipbuilding

JAPAN'S shipbuilders believe they are having hard times. Many other yards, particularly in western Europe, would disagree.

They might point out that Japanese yards won no less than 56.8 per cent of new building orders in the year to March 31 1984, while western European nations took 10.6 per cent between them.

But Japan feels competition breathing down its neck from equally efficient and faster-growing shipyards in neighbouring South Korea, which pushed up their share of world new-building from 1.3 per cent in 1973 to 19 per cent in 1983. That rivalry, combined with a shrinkage of employment in Japan's shipyards from 361,000 in 1974 to 218,000 in March 1984, leaves little room for buoyancy in the industry's outlook.

The current year has seen a sharp downturn in new orders: Japan's fell by 60 per cent in the first half of the fiscal year; South Korea saw a 56 per cent downturn in the first 9 months of calendar 1984.

Most analysts agree that ageing of fleets will mean a bulge in new building demand in about 10 years, even if the shipping market remains slack. Japan's Ministry of Transport is determined that its industry should maintain its competitive position through the current trough, to profit from future demand. Officials would like Japan to maintain a steady 40 to 50 per cent of world shipbuilding.

In the meantime, the ministry is co-ordinating a series of capacity shrinkages to ensure that Japan's big shipbuilders each enjoy a share of available work rather than cutting one another's throats to try to win all of it.

The first big cutback of Japan's shipbuilding capacity came in November 1978. The government's "special measures for stabilizing of designated depressed industry" required large yards to dispose of some 35 per cent of building berths and docks, while a fund was created to buy surplus facilities from smaller yards. The outcome was a 37 per cent capacity reduction by March 1980.

In recent years, the Ministry of Transport has issued "administrative guidance" requiring larger yards to leave idle a proportion of their remaining capacity. The present maximum permitted capacity is 68 per cent.

Wages

Apart from its potential as a profit-earner, Japan's shipbuilding industry is of national importance both as a strategic resource and as a large employer in less prosperous provincial regions. But while the industry may be valued as an employer, one of its problems is the high level of wages which workers receive relative to counterparts in South Korea.

Japanese shipyard workers, though less well paid than those in other sectors of heavy industry, receive roughly three times that of South Korean workers. Wages account for about 15 per cent of the cost of building a big ship in Japan. The result is a 10 per cent pricing margin in favour of South Korea—which can also offer more attractive financing packages than Japan.

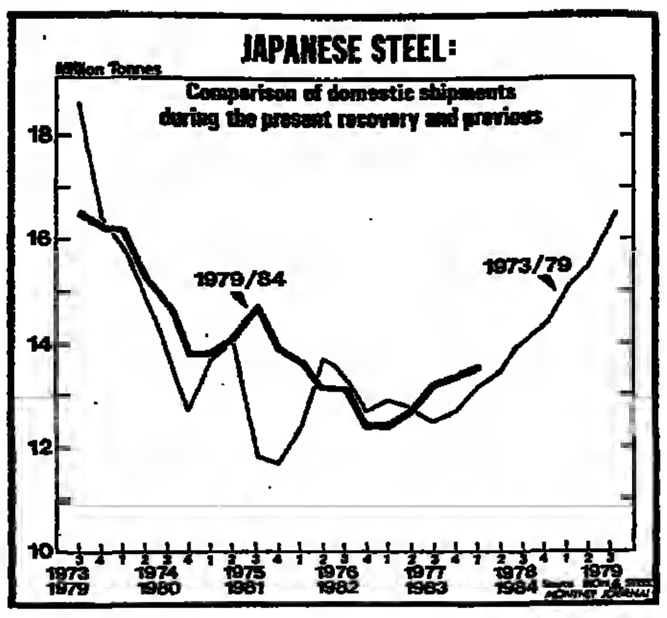
Japanese shipbuilding officials want some form of accommodation with South Korea, presumably enabling the two countries to dominate world shipbuilding without undercutting one another. Reports from Seoul suggest that the Japanese want the South Koreans to raise prices and reduce the operating ratio of their yards.

But Japan may need to be persuasive while it continues to hold more than half the world new building market, and South Korea struggles to build its industry, raise income and pay debts.

Robert Cottrell

Recovery edged with caution

Steel



JAPAN'S STEEL industry is enjoying a strong cyclical recovery which, according to projections by Nomura Securities, should result in the country's five big integrated steel producers increasing pre-tax profits to an aggregate Y252bn in the current financial year, compared with Y22bn in the 1983-84 period.

Orders booked for ordinary finished steel products declined in five successive quarters from July 1982 to September 1983. But they stabilised to a 1.5 per cent gain in the final quarter of 1983 and growth of 11 per cent and 6.7 per cent in the first and second quarters of 1984.

In recent months, steel production has continued to grow, but at a more moderate rate. Crude steel production of 9.19m tons in October represented a 3.1 per cent year-on-year growth.

The steel industry's order book upturn has been driven by demand from manufacturing industry, while construction sector demand has contributed little. A concentration of orders for Japanese shipyards contributed to a strong upturn in demand for steel from that sector in the late 1983 and early 1984.

More sustained demand has come from the electrical and industrial machinery sectors, while the automobile industry, which accounts for almost one-fifth of Japanese steel orders, is expected to maintain its strong demand next year.

In spite of these optimistic projections, steelmakers remain cautious for the longer term. Executives at both Nippon Steel and Nippon Kokan in Tokyo talk of both the need for further rationalisation within the domestic industry and better technology in both the manufacture of steel and the development of new materials.

Nippon Kokan says that imports from Brazil, Korea and Taiwan are gradually gaining ground in Japan, with some signs of uncontrolled pricing.

"We need a sensible diversification," says Mr Yoshinari Yamashiro, executive vice-president of NKK. "We are 75 per cent dependent on steel. In the future, we will change that to 50 per cent steel, 25 per cent engineering and 25 per cent new composites, a new area for the company."

These new composites are likely to be in the field of high-strength metals such as titanium.

NKK and Nippon Steel also foresee strong changes in the ways of making steel over 20 years. NKK is working on methods to improve productivity in its continuous casting technology. Its new Fukuyama caster has boosted the casting capacity of a single machine from 180,000 tonnes to 250,000 tonnes a month this year.

This caster is unique in that it provides energy savings through direct hot rolling, NKK says. The new caster is directly linked to a hot strip mill line, creating a hot direct-rolling system which avoids use of reheating furnaces, cutting energy costs sharply.

Japan's steel-makers are also watching the development of high-strength plastics with caution. "There is competitive pressure," says Mr Eiichi Sakamoto, general manager for iron and steel technology at Nippon Kokan.

"But we steel producers are also developing new technologies to put higher strength but lighter weight in our steel."

These are resulting in composites using ceramics and plastics. For example, NKK has developed a soundproofing steel which consists of two sheets of steel sandwiching a layer of plastic.

It is supplying Toyota for use as body panels.

The industry also forecasts a drop in employment in line with increased productivity. "As you have seen in England, here in Japan, we will have to improve productivity to compete with newly industrialised countries with lower labour costs," Mr Sakamoto says.

NKK's aim is to boost output from 450-475 tonnes in 500 tonnes per year per man. This might increase to 600 tonnes per man, he says.

Carla Rapoport and Robert Cottrell

Glyn Genin

Industrial robots are replacing many workers in car production

Roy Garner on the increasing role of electronics in driving

Chipping in to improve safety

High-tech components

JAPANESE automobile manufacturers thought they were on to a winner when they introduced speech-synthesis chips telling drivers to "Fasten seat belts" or "The tank is almost empty."

The devices appeared to have consumer appeal, meeting demands for automatic functions to make driving less strenuous. They had novelty value too.

The speech chips also seemed to represent further progress in efforts to use high technology to boost marketability. But the companies had not reckoned with the reaction of many male Japanese drivers.

Large numbers complained that the synthesized voice strongly reminded them of the nagging of their wives, so most users switched the speech off within a few weeks.

This highlights the pitfalls which can confront companies toying to translate new technologies into consumer products.

However, the fruits of high technology research, in particular those in electronics, are playing an increasing role in the efforts of Japanese car makers to survive in the highly demanding domestic market and in the export business. In the local market increasingly sophisticated electronic gadgetry is one of the basic expectations of the public.

Japan has found itself in a good position to meet this electronics challenge because of the nation's investment in semi-conductors and expertise in their production. Integrated circuits have, over their four or five years, enabled the introduction of e wide range of design features.

Japan has been able to capitalise on these opportunities because of the reliability and availability of top-quality semiconductor components produced locally. The end-product is the central computer control systems such as Nissan and Toyota are developing.

These systems have enabled great improvements in engine efficiency, and assisted drivers in performance monitoring. They include electronic control of fuel injection, cruising speed regulation, ignition timing, engine idling reduction, diagnostic functions and exhaust cleaning.

In Mazda's prototype "car of the future," the MX-02, information is displayed on the lower part of the windscreen, allowing the driver to keep his eyes on the road.

Sensors

Japanese manufacturers are unanimous, however, that the top priority is for improved driving safety, an area which clearly offers great potential. Early applications included electronic controls which coordinate braking on all wheels, reducing the incidence of skidding and reducing tyre wear.

Sensing devices are appearing with increasing frequency in automobiles as e crucial adjunct to the computerised information-processing systems.

The latest involves control of the suspension by supersonic sensors. Nissan introduced the system into its Maxima model in October.

It makes an automatic selection from three damper settings to improve stability and handling. The system works through five sensors, one an ultrasound device that measures the change in vehicle height while the car is in motion.

Sensors also measure pitching, nose-dive and roll, and a microprocessor evaluates the readings to initiate the ideal damper setting. Firmer damping of the front suspension is automatic during high-speed driving, to improve straight-line stability.

Sound sensors are also used in Nissan's automatic windscreen wiper system. This device adjusts the speed of the wipers in relation to the intensity and frequency at which raindrops hit the windscreen.

Optical sensors are also being used for the automatic control of lighting systems and these can, for example, be adjusted to switch on the car headlamps just before the car enters a tunnel or when daylight fades.

Sensors are also being used to monitor the position of other vehicles while driving. Sensors which warn of the distance of cars to the rear have been introduced into some Japanese cars to help parking in narrow spaces. Experiments have also been carried out with radar systems which monitor distance from the car in front.

Engineers have the technology to ensure that cars are automatically kept at safe distances from one another on highways through the linkage of sensors with engine and brake controls.

Optical sensors have been used to monitor sunshine and humidity levels for control of the air-conditioning, and humidifiers are planned.

Physical comfort is a key concern in Japan, known for frequent traffic jams and humid summers. Manufacturers have introduced drive position memory control, which remembers and sets the optimum seat positioning for four differeot drivers.

There is also a system which links power-assisted steering to vehicle speed.

Fibre-optics are gradually being introdnced. These are lighter than conventional wiring, have a greater transmission capacity and are unaffected by interference. Makers are studying the reliability of fibre-optic systems, but are limited by the need for light converters and function devices.

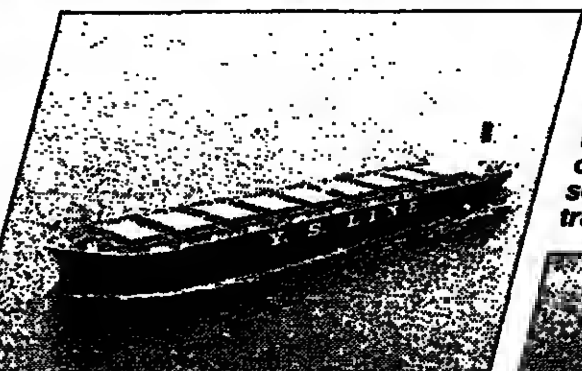
Again, advances in semiconductor design could ease this problem since forthcoming integrated devices are expected to be able to handle such functions internally.

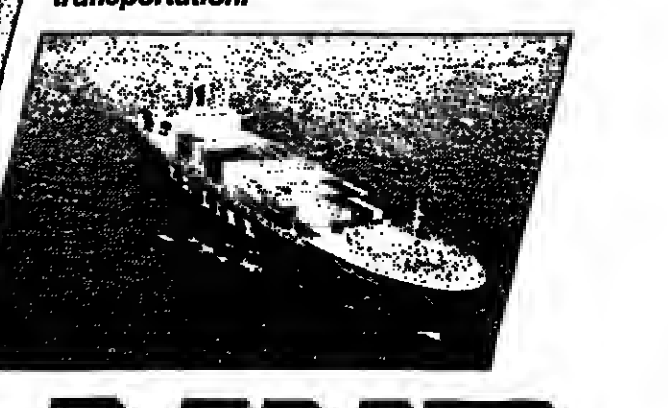
Integrated

Looking to the future, Japanese manufacturers are working on edvanced navigation systems capable of providing constantly updated information on location and the best routes available to reach a certain destination.

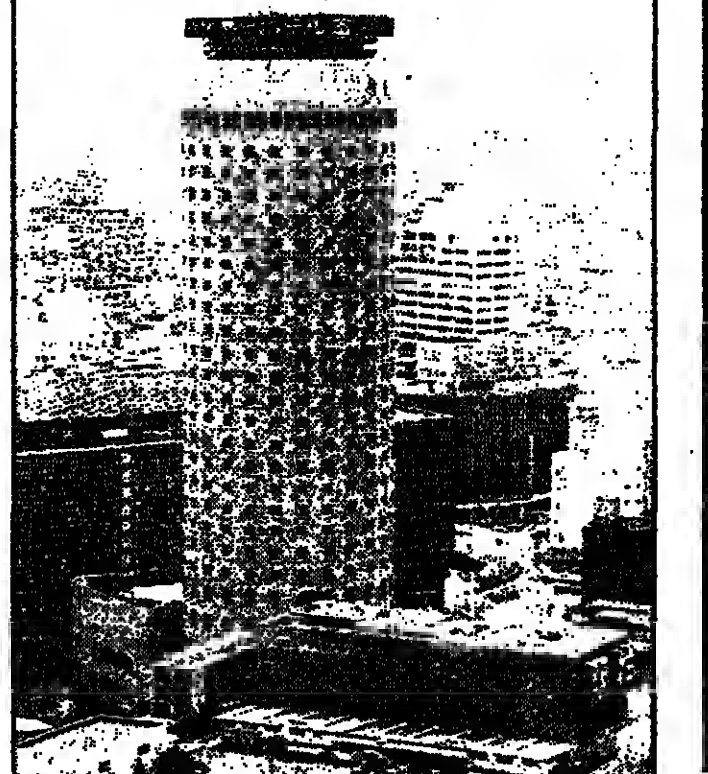
One using global positioning satellites with a receiver dish in the car roof seems to have most appeal. This system would be extremely accurate but Japan's backwardness in the use of satellites makes it an unlikely development for some years.

In the more immediate future manufacturers of Japanese cars are likely to feature car telephones and personal transceivers on a more regular basis, but again this is linked to the uncertain progress in the Japanese government's plans to liberalise the telecommunications market.





Japanese Industry 8



Two faces of a city: The Dai-Ichi Hotel (left) and the more traditional Osaka Castle

A thrusting second city

Profile: Osaka

OSAKA BRISTLES with the energy and independence peculiar to second cities. It has about it something of the hustling quality of Chicago, and of the liberalism of Manchester in its hey-day.

Osaka's official publicists like to describe it as "the Manchester of the Orient," a reference in part to the growth of its prosperity through textiles and trade, even though Osoka's 9.6m population now makes the prefectural region ten times the size of its Lancashire cousin, and home to one-twelfth of Japan's population.

Osaka people pride themselves on their shrewdness, pragmatism, and a sceptical attitude towards officialdom.

"When a traffic cop cautions a Tokyo driver the driver listens and obeys," when Mr Michihiro Matsumodo, international division manager of Osaka's chamber of commerce and industry, "in Osaka, be answers hack."

Tokyo residents sometimes mock Osaka as a vulgar and greedy city. Its spirit, they say, is summed up in the popular Osaka greeting "Mokarrimaka," —which means "Are you making money?"

Osakans retort that their city bas a long and noble cultural tradition, including the refining of Kabuki theatre, and the invention of Bunraku puppetry.

The city's entrepreneurs have filled many unlikely niches in everyday Japanese life. A partial list of innovations which Japan owes to Osaka would include the sauna bath, the purpose-huilt suhurb, the barber-shop chair, artificial turf, the cigarette-vending machine, the plastic table-cloth, the underground shopping centre, instant noodles, the hudget business, hotel sushi and noodle restaurant chains and the DIY shop.

Perhaps most enduring of all is karaoke, a peculiarly Japanese form of entertainment in which inebriated bar patrons perform popular songs between drinks with the aid of a microphone, amplifier, and pre-recorded background music.

It is as well that Osaka pioneered the suburb—the branchild of its powerful private railway operators—since the metropolitan cityscape can be terrifying in its bleakness. It may be seen to worst advantage on a train ride in from nearby Nara, one of Japan's most ancient and beautiful cities.

Temples and fields give way to a miasmic sprawl of industrial metropolis which would seem incredible had one not already passed through Nagoya, the Detroit of Japan, on the main railway line from Tokyo.

In spite of the forbidding introduction, downtown Osaka reveals itself to be more user-friendly than might have been expected. More so than Tokyo, the city has an identifiable "centre," bounded by Osaka station to the north, the Namba entertainment district to the south, and the great Osaka Castle—the city's one blue-chip tourist attraction—to the east.

Like Tokyo, Osaka suffered terribly during the last world war. Some 90 per cent of its 1941 manufacturing capacity was lost by 1945. In less than eight months, between January 3 and August 14 1945, the city was air-raided 28 times; 310,955 buildings were destroyed, 10,388 people killed, and 35,545 injured.

Some buildings survived, and Osaka looks to have been less methodical than Tokyo in pulling down those in the furtherance of peaceful urban redevelopment.

Downtown Osaka is gifted with narrow, grid-pattern regular streets, allowing the city a degree of intimacy and comprehensibility. Its main boulevard, Midosuji, is plausibly European in character—a western flavour which the city authorities have sought to accentuate by designating the shopping districts on either side European Village and American Village.

Osaka's working populace wants to take the idea further. Among the most popular responses to an opinion poll last year on improving the quality of downtown life was the construction of Parisian cafe-terraces along Midosuji.

Mr Shigeki Fukae, director of the chamber of commerce's research divsion, jokes that the narower downtown streets are one of the reasons why the city's merchants bave develoned sucb shrewd trading instincts. On Tokyo's Ginza, says Mr Fukae, the street is so wide that shoppers can see to compare prices on only one side of the road.

In Osaka, display prices on one side of the street are close enough to compete for the attention of a sbopper on the other, doubling the degree of competitiveness.

This bustling and energetic city of 8.6m people has provided a surprisingly long list of innovations, from the sauna bath to artificial turf.

Osaka's commercial importance originated from its position on a confluence of rivers flowing from Kyoto and Nara. It remains an important port, as does its neighbour, Kobe. The rivers, largely tamed against flooding which periodically devastated medieval Osaka, give the city grace and sbape—albeit considerably overestimated hy the publicists' title "Venice of the Orient."

Tokyo's 1964 Olympic Games marked that city's international affirmation of its recovery from war, and progress towards growth and prosperity. Osaka's post-war psychological milestone was its bosting of the 1970 World Exposition, which attracted 6.4m visitors. The subway system was doubled in length, from 32 km in 1965 to 64km in 1970 while the Hanshin Highway trunk route was extended from 39 km in 1968 to 79 km in 1970.

While Osaka has taken its part in Japan's economic miracle, it has done so through the application of commercial and industrial strengths which city officials fear may have been more approriate to the 1960s and 1970s than the 1980s and 1990s. It has sustained industries such as textiles, chemicals and steel which have been declining in Japan as a whole, and it lagged in the development of precision machinery and electrical appliance manufacturing, which grew strongly in Japan through the 1970s.

Osaka's concentration of labour-intensive and energy-intensive industries meant it was hit hardest by the "oil shock" of 1973-74, which temporarily stunned a national economy wholly dependent on imported oil.

The Japanese economy had been growing at 8.7 per cent in 1972 and 7.1 per cent in 1973. In 1974, the nation recorded negative growth of 0.2 per cent, before recovering to grow at typically around 5 per cent annually through the remainder of the decade.

Osaka had been growing faster than Japan as a whole in 1972 and 1973, at 11.3 per cent and 7.1 per cent respectively. But in 1974, it crashed to a 4.9 per cent decline. It shrank again, by 1.3 per cent, in 1975, and though it recorded positive growth for the remaining five years to 1980, in only one year did it exceed the national average.

Between 1960 and 1980, Osaka's share of Japan's industrial output shrank from 13.5 per cent to 8.9 per cent. Tokyo's shrank faster, from 15.7 per cent to 8.1 per cent, but the capital—by its concentration of national government offices—was more effective than Osaka in developing service, financial and administrative sectors to compensate for the relative decline of its industry.

Osaka's share of stock market dealings shrank from 29 per cent in 1960 to 13.5 per cent in 1980, while Tokyo's rose to 57 per cent. Transactions in Osaka accounted for 20.7 per cent of funds cleared through Japanese banks in 1960, but just 12.6 per cent in 1982. Tokyo's share rose from 49.1 per cent in 1960 to 71.5 per cent in 1982, reflecting its growth and development as an international financial centre.

Osaka even lost some of its home ground as a wholesaling and distribution centre. Its share of national wholesaling transactions shrank from 21 per cent in 1970 to 15.8 per cent in 1982, while Tokyo's rose from 35.9 per cent in 1970 to 37.8 per cent in 1982.

Some of the structural problems facing Osaka are summarised in a paper by Mr Keijiro Iwama, director of the city government's Comprehensive Planning Bureau, for the Organisation of Economic Co-operation and Development.

The city's major disadvantage compared with Tokyo is the relative decline in central management functions, Mr Iwama said. Not only is Japan's national government boused in Tokyo, but private-sector enterprises which might formerly have managed their national and international operations from Osaka have converged increasingly on Tokyo.

The growth of other western Japanese cities has simultaneously weakened Osaka's natural role as a centre for regional operations, he said.

In terms of industry, Osaka has a high ratio of materials industries — including pulp, paper and steel — with low productivity and growth rates. Osaka's traditional wholesaling strengths, meanwbile, have been eroded by the tendency of the city's main trading houses to centralise business in Tokyo, wbere they can be closer to international, political and economic information sources.

Osaka's native sons include the C. Itoh, Marubeni and Sumitomo groups of companies, each centred on "sogo shosha" general trading houses.

Osaka is seeking its own revitalisation through capital projects and through what might best be described as a consciousness-raising campaign loosely packaged as the "Osaka 21st-century plan."

The higgest capital project is the construction of an international airport on reclaimed land in Osaka Bay, which is expected to cost about Y1 trillion (million million) (£328.67m) over eight years. This will unblock Osaka's main communications bottleneck, an existing international airport which can accommodate only daytime flights because of its location in a residential district.

As a spawning-ground for high technology industry, Osaka plans to establish and designate a "technoport" on an artificial island also reclaimed from Osaka Bay. Two new cultural centres, a new trade fair site, and the sponsoring of design and fashion festivals also form part of the city's planned reinvigoration.

To speak of Osaka's "structural problems" should not convey the impression of an industrial wasteland. Osaka, like the rest of Japan, does not have an unemployment problem by European standards: wages are comparable with Tokyo, the city's shops are bright and its streets lively late into the night.

Osaka lags only at the margin: the trend is more worrying than the actuality. Even Tokyo does not boast a department store of 13 floors, with 15 restaurants vying for trade on the 14th. This is the newest Daimaru emporium, atop Osaka station.

Robert Cottrell

FINANCIAL TIMES
Tuesday December 18 1984

Ferinel consortium to take control of Boussac textiles

BY DAVID MARSH IN PARIS

FERINEL, a private sector French property group, with e consortium of investment institutions, is to take control of Boussac Saint-Freres, the country's troubled No 3 textile company.

The deal, approved by the Government yesterday, brings to a close 3½ years of uncertainty over Boussac's future since the company and its holding concern, the Agache Willot group, filed for bankruptcy in June 1981.

Ferinol, backed by the Louis Dreyfus and Lazard Freres private banking groups, has been given permission for a plan to raise Agache-Willot's capital by FFr 400m ($42.15m) and to continue the Boussac management's previous efforts to reduce the workforce and sell parts of its diverse activities.

The French Government, public sector institutions and banks, which have together provided nearly FFr 1bn in capital and loans to assist Boussac since 1981, has been assured of repayment of around FFr 400m in loans by the new shareholding.

The remaining FFr 580m, subscribed principally by the Industrial Development Institute (IDI) to provide equity backing and cover operating losses will, however, remain invested in Boussac. The Government will see a return on the capital only when, and if, Boussac starts to make a profit.

Additionally, Ferinel has asked the Government for further aid – also believed to be around FFr 400m – to help to finance operations under the new shareholding structure. Industry Ministry officials said last night that some public money would be provided in the form of subsidies and low-cost bank loans, but the amounts had not been finalised.

A crucial factor winning government approval for the Ferinel deal was an accord between M Bernard Arnault, chairman of Ferinel, and M Julian Charlier, chairman of Dollfus-Mieg, France's second largest textile concern. That agreement, under which M Charlier will act as adviser to the new management, has helped to persuade the Industry Ministry that industrial planning will be on a sound basis.

The main rival to take over Boussac – which has been run since April 1982 by a management company owned by the IDI and creditor hanks – was the Bidermann clothing group in association with other financial and industrial investors.

The Ferinel takeover plan envisages further cuts in Boussac's 15,000 workforce to about 12,000 by 1987. Officials said job cuts proposed by Bidermann were slightly larger. In 1981, Boussac employed 20,000 people.

Dana buys brake group

BY TERRY DODSWORTH IN NEW YORK

DANA CORPORATION, the U.S. vehicle components group, has reached agreement on the acquisition of Warner Electric Brake & Clutch for $157.5m in cash.

Dana said yesterday that it had been given commitments on 49 per cent of Warner's shares, which would be acquired for $30 each. In addition, it had been granted an option to buy a further 1.5m in issued shares.

The same $30 a share offer is being made to all the group's other shareholders, Dana said. The acquisition will be financed through available cash and short and medium-term borrowings.

Midlantic to pay $200m for Heritage

By William Hall in New York

THE BATTLE for Heritage Bancorp, the fifth biggest New Jersey bank, appears to be over. Yesterday Heritage agreed to be taken over by Midlantic Banks of Edison, New Jersey, in a deal worth over $200m.

The move follows weeks of bids and counterbids for the bank, which has 95 offices and $1.8bn in assets. Last year Mellon Bank from the neighbouring state of Pennsylvania agreed to take over Heritage, but that deal ran into legal problems and several small New Jersey banks decided to exploit the delay and bid for Heritage.

The deal provides Heritage shareholders with either $47 a share in cash or the equivalent in shares of Midlantic. The two banks will have assets of $9bn and 279 offices throughout New Jersey.

New chief for Plessey unit

By Our Financial Staff

MR ERNEST Jones, chief executive of Plessey Controls, has been appointed chief operating officer of Plessey's U.S. telecommunications activities and president of its Florida-based equipment subsidiary, Stromberg-Carlson.

Stromberg-Carlson has not had a full-time president since early this year, when Mr Jim Bridges resigned to join Burroughs, the U.S. computer group. Mr John Whyte, head of Plessey Telecommunications International, has been running Stromberg-Carlson on an interim basis.

Mr Jones, aged 43, joined Plessey in 1962 after working as a telecommunications engineer with the Post Office. Mr Whyte will continue as chairman of Stromberg-Carlson and its business communications systems unit.

MANUFACTURERS HANOVER BATTLES WITH ITS IMAGE

U.S. bank faces tough dividend decision

BY WILLIAM HALL AND PAUL TAYLOR IN NEW YORK

MANUFACTURERS Hanover Trust's board meets today to consider its dividend policy for 1985 and perbaps faces its toughest decision for over a decade.

The banking group, the fourth largest in the U.S. with assets of $73.2bn, has posted record earnings for more than a decade and increased its annual dividend on ten occasions.

The board will take its decision today against a background of another year of record net income and a share price which has risen by over 50 per cent from its depressed levels in midsummer.

Wall Street analysts would see a rise in the $3.18 annual dividend as an important gesture of strength from a group which has come in for more than its fair share of criticism this year.

Despite one of the most consistent earnings records of any large U.S. bank, Manufacturers Hanover has bad considerable difficulty getting its message across to Wall Street. Notwithstanding the recent sharp rise in its shares, the group is still regarded as having one of the highest risk-reward ratios of any big U.S. bank. This is reflected in a share price of around $35 against a book value of $63, a yield of around 9 per cent and one of the lowest earnings multiples of any money centre bank.

Two factors continue to colour Wall Street's perception of the New York banking group, which e year ago was boasting that it had been growing its assets faster than any big bank holding company, except for Continental Illinois.

The first is the group's heavy Latin American loan exposure. Manufacturers Hanover has $1.4bn outstanding to Argentina, the highest of any large mooey centre bank. It has around $8hn in loans outstanding to the six most beavily indebted Third World countries, representing 16 per cent of its total loans, almost 2½ its shareholders' equity of $3.2bn and more than 10 times its $584.2m loan loss reserve.

First Chicago, the big U.S. bank holding company that recently reported a $71.8m third-quarter loss, is to consolidate its worldwide and U.S. banking departments into a corporate banking department. It is understood that the move had been under study and the third-quarter loss, caused by $278m in loan charge-offs, hastened the decision.

Many bankers believe the worst is over for the Third World deht crisis and Mr John McGillicuddy, 53, the group's chairman and chief executive, has consistently argued that the threat posed by troubled LDC deht has been exaggerated hy Wall Street. Judging by the recent recovery in Manufacturers Hanover's share price be is getting his message across.

The other factor depressing the group's sbares bas been the $1.5bn acquisition of Cit Financial Corporation from RCA in May 1984. CIT, one of the biggest domestic finance groups in the U.S. with over 350 offices nationwide, was seen as an important diversification for Manufacturers Hanover and a hig effort to lessen its heavy reliance on international lending activities.

CIT has boosted the group's balance sheet by $6bn and earnings so far this year by $17.9m. In the short-term, however, the acquisition has depressed earnings a share because of the need to issue 5m new sbares and the funding requirements of newly issued preferred stock. In the first nine months the group's earnings a sbare fell a fifth to $4.98 a share from $6.24 a share in the same period last year. Wall Street estimates that full year earnings will be around one dollar down at $7.25. The bank is not expected to top the 1983 peak of $8.37 next year.

The final factor depressing the group's earnings and sbare price bas been its need to substantially bolster its capital ratios. Since January 1982 Manufacturers Hanover has raised its capital base by $2bn, or 89 per cent, increasing its primary capital ratio from 3.79 to 5.7. Even so its capital ratios are still below average for the big U.S. banks.

Despite this Maunufacturers Hanover still has lofty objectives. In 1981 the group set itself the target of earning a return on assets of 0.60 per cent and a return on equity of 16 per cent within five years. The bank still has a long way to go. In the first nine months its return on assets was a meagre 0.47 per cent aod its return on equity was below 11 per cent.

Nott takes Lazards' helm as bank charts new waters

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE IMMINENT replacement of Mr Ian Fraser by Sir John Nott as chairman of Lazard Brothers the London-based merchant bank, means the former UK Defence Secretary will be taking over just as the merchant bank is facing big changes within and without.

Barely six months have passed since the Lazard *troika* in Paris, London and New York regrouped to work more closely (and form a partnership 50 per cent-owned by Pearson, the owners of the Financial Times). In London, Lazards decided after much internal debate to stay out of the rush by other UK banks to form Stock Exchange alliances, and the wisdom of that course will soon be tested.

Although Sir John, aged 52, only joined Lazards as executive director after quitting politics last year, he played enough of a part in recent big decisions to share responsibility for them, be says. He intends to keep Lazards "small, highly professional, and light on its feet."

People in Lazards also expect him to be more approacbable than the genial but rather aloof Mr Fraser, who is approaching retirement age and whose term as chairman of the Accepting Houses Committee also expires next spring. Sir John began in the London financial centre with S.G. Warburg, where he claims to have invented the yearling local authority bond, now a multi-billion pound market.

The Lazards rationale is that despite the fashion for well capitalised financial conglomerates, big companies and institutions will always want top quality advice from a totally independent bank. Lazards may not be able to execute the jumbo securities deals that people are talking about, but that is ont its style. Lazard Freres in New York bas made a huge amount of money ploughing its small furrow there despite all the changes that have also hit Wall Street.

"The idea of seeing our name in the league tables is totally foreign to us," said Mr Michel David-Weill, the descendant of the original Lazards, who is senior partner in New York and the dominant figure in the whole Lazards empire (he effectively controls four of the seven appointments to the ruling body).

Soft-spoken and courteous, be could hardly look less like the tough international financier he is. He succeeds, colleagues say, because he never takes his eye off profits. He is the man Sir John will bave to get on with, and everyone in the bank is keen to stress harmony and light.

Mr David-Weill, who was in London for the new appointments last week, claimed that the new collaborative arrangement was paying off in the form of closer contact at all levels and extra international business. "There was never any encouragement to work together before."

He denied rumours of strife in some quarters. The London Lazards' not-so-bealthy loans to Third World rountries, whicb were a worry, have largely been sold off or written down. The other two banks do little or no straigbt lending.

More transatlantic deals, a wider international approacb to money management, information sharing: those are the sorts of benefits Mr David-Weill is looking for, although he admits that the last is "a delicate question."

The Paris Lazard, for instance, is banker to Peugeot and the New York Lazard to its main rival, Renault. "We have to balance confidentiality against the opportunity to help our clients."

Geographically, there might be some expansion, although Mr David-Weill is not especially sanguine about the prospects in Tokyo, the one big financial centre wbere Lazards is poorly represented. Foreigners find it difficult to break into the Japanese market; there is little merger and acquisition business.

INTERNATIONAL COMPANIES and FINANCE

Amdahl steps aside at Trilogy

By Louise Kehoe in San Francisco

Dr Gene Amdahl, founder of the Silicon Valley company Trilogy, has stepped aside from his position as chief executive officer, but will remain the chairman of the company.

Trilogy was one of the high-flying Silicon Valley high-tech start-ups until it was forced earlier this year to give up plans to design a supercomputer and develop wafer-size semiconductor devices. The company is now turning its semiconductor technology to more conventional uses.

The latest management move formalises what was already fact. Mr Henry C. Montgomery, president, has been running Trilogy for several months. Dr Amdahl has been "coocentrating on long-term strategy," according to the company.

The wafer-scale semiconductor technology plan proved to be the stumbling block for Trilogy. Fomer employees, now scattered around Silicon Valley, say the company was never close to success. They tell horror stories of tens of millions of dollars being spent within a week on equipment purchases because time waa always the most critical factor. "We never had the time to do things properly," says a former manager. "We were always racing against the closing window."

Full branch licence for S. G. Warburg (Japan)

BY JUREK MARTIN IN TOKYO

S. G. WARBURG (JAPAN) has been granted a full branch licence by the Japanese Ministry of Finance.

The MoF move constitutes a development of practical and symbolic significance in the increasingly complex relationship between Japan and the UK over access to each other's financial markets.

Warburg, a major UK merchant bank, becomes the 10th foreign company to be accorded full branch status and the first exclusively British. It is also the first merchant bank to gain full access to the Tokyo financial markets.

Full branch status enables a foreign company to offer a wider range of stockbroking, research and underwriting services than a simple representative office. Deeper commission discounts on stock transactions are also made possible, though these are considered only a marginal advantage for non-Japanese concerns.

At least three other UK financial institutions have applications pending with the MoF—Kleinwort Benson, which expects to be awarded a branch licence when the consolidation of its Tokyo operations with those of Grieveson Grant are completed next spring, W. I. Carr, the Hong Kong-based Exco subsidiary, and Schroders.

In bilateral negotiations with the MoF this autumn, UK financial officials warned that failure to expedite the British applications could lead to retaliation against the securities operations of Japanese institutions in London, where some 47 brokers and banks now conduct business.

However, the MoF, in its well orchestrated leaks to the Japanese media, still appears to be insisting that the granting of Tokyo licences to UK companies is explicitly linked to the wish of Japanese stockbrokers for deposit-taking authorisation in London.

The UK side has not conceded this connection, stating that the applications for banking status of foreign non-banks, such as Nomura Securities, the leading Japanese group, is a separate matter for British banking law.

There is growing evidence that UK representations to the Japanese are beginning to pay broader dividends.

Later this week, for example, the MoF is to announce the conditions under which foreign banks may engage in trust banking in Japan. The Ministry intends to grant eight foreign banks trust licences next spring and it is widely believed in financial circles here that two of them will be British, probably National Westminster and Lloyds.

Before the UK pressed its case, it was generally assumed that authorisation would only be given to U.S., West German and, less certainly, Swiss institutions, because their banking laws conformed more closely to the Japanese concept of trust banking. The likely winners now are five U.S. banks, two from the UK and one from West Germany.

In another development related to Japanese financial liberalisation, Yamaichi Securities has said it will announce shortly whether or not it will sell to Merrill Lynch of the U.S. the seat on the Tokyo Stock Exchange rendered vacant by the merger of three subsidiaries. No foreign broker possesses membership yet and Merrill Lynch has formally declared its interest.

● Nikko Securities, Japan's second largest securities house has opened a merchant banking arm in Singapore to manage yen bonds in the Tokyo market, to underwrite facilities in the Asian dollar market, to provide investment services, and to manage syndicated loans, AP-DJ reports from Singapore.

Nikko Merchant Bank (Singapore), with a paid-up capital of S$10m (US$4.6m), is a wholly-owned subsidiary of Nikko Securities.

Nikko's merchant bank succeeds its representative office, which was opened in 1979.

Eastern Asia Navigation on target

By Our Financial Staff

EASTERN Asia Navigation has reported an increase of more than a third in net profits for the six months ended September 1984 and says profits for the whole of 1984-85 should reach the forecast HK$450m (S57.5m).

Spun-off from its parent company, World International, earlier this year, Eastern Asia controls part of the shipping empire of Hong Kong's biggest financier, Sir Yue-Kong Pao.

After minorities, net earnings for the half year totalled HK$ 220.7m, against HK$162.7m. Profits per share were 13.2 cents (up from 9.8 cents a year earlier) and the company is paying an interim dividend of 3.5 cents a share.

World International also reported interim profits yesterday. Net undiluted profits for the six months ended September 1984 were up more by than 35 per cent to HK$100.8m.

After extraordinary items, the company's earnings per share amounted to 6.1 cents, up from 4.5 cents.

Eastern Asia controls the shipping and shipowning interests formerly held by World International. World remains an investment company whose principal asset is a 44.5 per cent shareholding in Hongkong and Kowloon Wharf and Godown Company.

Nova-Park seeks debt settlement

By John Wicks in Zurich

NOVA-PARK, the hotel group, has applied to a Zurich court for a debt settlement agreement. Mr Rene E. Hatt, the company's founder, took this step yesterday to head off the opening of bankruptcy proceedings.

The group, which has invested over SwFr 600m ($236m) in the building and refurbishing of luxury hotels in a number of countries, is faced with net debt of up to SwFr 214m and claims registered under Swiss law of over SwFr 70m.

Application for debt settlement was made immediately before the hearing of a bankruptcy submission by Forfaitierung und Finanz of Zurich. Owned by the German bank Badische Kommunale Landesbank, this company has claims of SwFr 5m against Nova-Park.

● Colima, the Swiss group which has a majority of voting rights in the coffee and chocolate group Jacobs-Suchard, is to place a number of Jacobs-Suchard bearer shares on the market.

The Zug-based Colima, which looks after the interests of the Jacobs family, will remain in control of the company. The placing might take place next month.

An increase in Jacobs Suchard capital is on the agenda for 1985. At present, it has a nominal capital of SwFr 53.3m in bearer shares, SwFr 44.1m in registered shares and SwFr 7.8m in participation certificates.

The company sells under the Tobler and Suchard labels.

Fuji Photo lifts payout on broadly maintained profits

BY OUR FINANCIAL STAFF

BROADLY maintained net profits have been reported by Fuji Photo Film for the year ended October 20, 1984. The parent company is stepping up its dividend.

On sales up from Y634bn to Y666bn (US$2.69bn), net group profit emerged at Y56.3bn, against Y58.5bn. Operating profits for the year totalled Y114.5bn, against Y117.4bn.

For the current 12 months Fuji Photo expects net income to total around Y60bn on a sales base of Y730bn.

Parent company after tax profits were Y45bn, compared to Y49bn. The dividend is going up from Y9.50 a share to Y11.50.

● Nippon Seiko, Japan's largest manufacturer of ball bearings and machinery parts, boosted pre-tax profits by 44 per cent to Y7.3bn in the six months ended October, 1984 with net profits of Y3.7bn, up 39.3 per cent. Sales at Y115.5bn were 18.6 per cent higher.

Sales of miniature bearings for electrical and electronics manufacturers, ball screws for machine tool makers, and ball bearings for automobile manufacturers went strongly. Exports helped by a sales upswing in the U.S., rose 250 per cent.

Cost reductions resulting from full capacity operation and a higher proportion of profitable products in the sales mix helped improve cost to sales ratios.

For the current half year, Nippon Seiko sees continued busy demand. Full year pre-tax profits are projected at Y14.8bn for a rise of 23.2 per cent. Net profits are expected to expand to Y7.5bn (up 24.7 per cent) on sales of Y235.5bn, up 15.3 per cent.

Improvement at Associated Engineering

By Jim Jones in Johannesburg

ASSOCIATED ENGINEERING, the 65 per cent UK-owned South African motor components group, returned to operating profits in the year ended September 30 following the disposal of its loss-generating retail motor parts distribution arm.

Turnover dropped to R47.5m ($25.3m) from R65.7m as a result of the sale but an operating profit before tax and interest of R1m was earned against an operating loss of R3.6m in the previous year. An unchanged interest bidd of R3.2m led to a pre-tax loss of R2.2m against the previous year's pre-tax loss of R6.8m.

Dividends have not been declared for the past two years. A loss of 6.7 cents a share was made in the year just ended compared with a loss of 14.6 cents a share in the previous year.

Thyssen back in the black but no payout

BY PETER BRUCE IN BONN

THYSSEN, the West German industrial group and the country's biggest steelmaker, made a "clear" profit in the year to September, after record loses in 1982-83. The company said, however, that it would not be paying a dividend for the second year in succession.

In a provisional statement for the year released yesterday, Thysen did not reveal 1983-84 profits, which will follow a DM 550m loss ($178m). Turnover, however, had risen 14 per cent to DM 32.4bn, with advances of 16 per cent to DM 10.3bn, and 23 per cent to DM 3.5bn in its steel and special aleel divisions respectively.

Turnover at its troubled U.S. subsidiary, the Budd Company, rose 26 per cent to $1.5bn. Thyssen said business in Budd's eutnmotive division, including the manufacture of plastic car body parts, had been particularly healthy.

Although this had helped reduce the subsidiary's losses, Budd's railway and transit division which makes coaches had remained a burden, Thyssen said. From January 1, the division is to be independently incorporated and renamed Transit America Inc.

Budd's Place Machine Tool division has also been dislocated and absorbed by Thyssen Industrie in an effort to provide a springboard into the U.S. market for Thyssen's established machine tool operations.

Thyssen Industrie's turnover in the year, at DM 5.2bn, was only marginally better than the year before, the statement said. While cuts in public capital spending and increased competition from developing countries had made things difficult, the division's results would be reduced, "above all," by difficulties in shipbuilding.

Swedish Match executive to join Nordstjernan

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

MR Bernt Magnusson, deputy chief executive of Swedish Match, has been appointed group chief executive and managing director of Nordstjernan, the trouble dindustrial group within Sweden's Johnson concern.

The appointment of Mr Magnusson is a second management blow to Swedish Match in the space of a week. A few days ago Mr Gunnar Dahlsten, chief executive of the group, announced his resignation.

The Johnson group has run into serious problems with heavy losses and unsatisfactory profits in a number of its main operations, chiefly shipping, special steels, construction, insurance, and engineering.

As part of a continuing shake-up of top management Mr Rune Hallaker, the current managing director, is becoming chief executive of Sirius, the group's insurance subsidiary.

The Johnson group of companies is Scandinavia's largest privately-owned concern. Mr Bo Ax:son Johnson, chairman and group chief executive of Nordstjernan is himself giving up the chief executive post to become executive chairman.

Nordstjernan has an annual turnover of around SKr 18bn ($2bn) and a workforce of some 18,000.

Former AT & T telephone units allowed to diversify

WASHINGTON — Mr Harold Green a U.S. district court Judge has approved 13 requests by regional telephone holding companies for waivers from a consent decree to enter new businesses. Judge Greene granted requests from six of the seven regional companies formed in the divestiture of AT & T.

The companies must establish subsidiaries for new businesses, agree to monitoring by the Justice Department, and limit new business investment to 10 per cent of estimated net revenues.

Judge Greene approved requests to provide consulting services in foreign markets by Nynex Corp. Pacific Telesis Group, American Information Technologies (Ameritech) and U.S. West.

Ameritech will be allowed to provide cellular mobile telephone services abroad and U.S. West to provide cellular services in the Gulf of Mexico. U.S. West and Pacific Telesis received permission to enter the real estate business.

Nynex, Pacific Telesis, and Bell South Corp will be allowed to sell office products. Bell Atlantic will be allowed to engage in computer maintenance and repair and in equipment-lease financing. Reuter

Maserati orders from Chrysler joint venture could top $600m

BY ALAN FRIEDMAN IN MILAN

CHRYSLER, the U.S. car maker, is hoping to sell between 5,000 and 10,000 Maserati cars a year on the U.S. market when its new joint venture with the Italian car company begins production, probably in 1987.

Mr Donald Morrissey, the Chrysler vice-president who spearheaded his company's purcase of a 5 per cent stake in Maserati last June, said that Chrysler plans to sell Maserati cars in the U.S. on a "low volume, high image basis."

Chrysler and Maserati are still concluding details of their agreement, which is expected to result in more than $600m of Maserati orders over the next few years.

Mr Morrissey, who was at the Modena headquarters of Maserati last week for the launch of the new Maserati 2.8 litre model which the Italian car maker has designed for export at $28,000 a car, refused to be drawn on the details of the new joint venture.

He said Chrysler had bought a stake in Maserati (which is 81.2 per cent onwed by GEPI, an Italian state company), "in order to give optics to our new relationship." This, he explained, meant that Chrysler wished to monitor production of Maserati cars for the U.S. market, to build or assemble between 25 and 50 per cent of the car itself, and to "say to the Italian government that we are serious and we expect the same of them."

Still to be settled is exactly where Chrysler's "built by Maserati" cars will be manufactured. Sig Alejandro de Tomaso, the Argentine-born Maserati chairman who controls 13.8 per cent of the company, said he had asked the Mayor of Milan for guarantees regarding the project. This suggests the new car may be partly produced at the Milan plant of Nuova Innocenti, another part of the de Tomaso empire.

Sig de Tomaso said that Innocenti, which employs 1,900 workers and has done badly with its Italian version of the Mini, will be merged with Maserati "as soon as possible." The merger is expected to take place during next year.

Meanwhile, he plans to exercise his option to buy out GEPI's 81.2 per cent stake in Maserati for L6bn ($3.15m). He will use the option within the next six months.

The right to buy out the Italian Government participation was agreed several years ago when Sig de Tomaso began to revive Maserati's previously flagging fortunes.

The thinking behind the merger of Maserati and Innocenti is to reduce overheads and use the Milan Innocenti plan primarily as a part of the overall Maserati manufacturing process, according to Sig Rocco Spera, director general of GEPI.

Last year Maserati made a L3bn operating profit on sales of L110bn. That was twice the sales level of 1982, and more than 20 times the L5bn level of 1976.

For the first 11 months of 1984, Sig de Tomaso says that Maserati made a L18bn operating profit on turnover of L174.8bn, of which L96bn represented exports.

Innocenti, meanwhile, is expected to make a 1984 loss of at least L7bn, which represents an improvement on last year's L15bn of losses, and L22bn of losses in 1982.

Maserati car sales will reach around 7,000 this year, of which just under half are in the U.S., according to Sig de Tomaso.

OWNERSHIP OF MASERATI AND INNOCENTI

MASERATI	%	INNOCENTI	%
De Tomaso	13.8*	De Tomaso and Maserati	25†
Chrysler	5	GEPI	73.2
GEPI	81.2	Leyland	1.8

* The 13.8 per cent De Tomaso stake is controlled through Benelli, a De Tomaso company. † Sig de Tomaso declines to state which portion of the 25 per cent Innocenti stake is controlled by Benelli.

INTL. COMPANIES & FINANCE

France picks up the bill for the nationalisation of two banks

BY DAVID MARSH IN PARIS

THE FRENCH Government and, directly and indirectly, parts of the state owned banking sector, are only now picking up the full bill for the two most ill-starred of the Socialists' banking nationalisations of 1982.

Benque Vernes and L'Europeenne de Banque (EB), the latter before nationalisation the French Rothschild benk, were two of the smaller, though still highly regarded, names then taken into public ownership. Now, in decidedly more tattered circumstances, they have been found new homes as part of laboriously worked out restructuring packages, brought to a conclusion last month.

As the climax to months of Government-engineered efforts to plug the two banks' heavy losses, reconstitute their capital and assure their future, Vernes the Compagnie Financiere de is brought under the wing of Suez holding group, while EB is linked up with Credit Commercial de France (CCF).

The drain on public funds is proving embarrassingly high for a Government which already paid initially to acquire the banks in 1982—and is trying harder than ever this year to tighten public spending.

Vernes in the New Year will be come a 51 per cent subsidiary of the Suez group through the Suez banking arm, Baoque Indosuez. At the same time, Vernes will require FFr 500m (C$52m) in capital injections from Suez and the state (which will retain 49 per cent) to put it on a sound financial footing.

EB will be 51 per cent owned by a new group, Compagnie Financiere du Credit Commerciale de France, which will be the holding company bolb for CCF and the profitable retail bank, Union de Banques à Paris (UBP). The cost here of restoring EB's fortunes, through fresh capital and low interest loans, is FFr 430m.

In 1981/82, the banks were thought to be plums ready for the Government's picking: they have since turned out to be very sour fruit indeed.

EB mede net losses of FFr 320m in 1982 and of FFr 97m last year. The 1982 deficit would beve been higher but for the transfer, on relatively fevourable terms, to the Suez group of FFr 505m of trouble-ridden industrial end property shareholdings built up before the nationalisation.

Partly to compensate for insoffficient allowance for risk in last year's accounts, e big increase in provisions this year will leave EB with a net 1984 loss of around FFr 300m. Some of the provisional—particularly those on loss-making property deals, which have trust themselves to the surface during the sharp downturn in arih sector since 1981 cover risks going back 10 years.

EB has since the summer been under a new chairman, M Roger Pujol, previously head of the small business fiancing ment des Petites et Moyennes Enterprises (CEPME). His number two as managing director is M Roger Prain, joint managing director at CCF. Since November 1983 M Prain has been in charge of efforts to restructure EB's balance sheet, particulerly by cutting back, where possible, loan exposure to troubled manufacturing industry.

Although operating losses this year will nerrow, possibly to less than FFr 20m, provisions caused by the bank's exposure to the failed Creusot Loire beevyengineering concern and to Amrep end to other "lame ducks" will come to around FFr 70m to FFr 80m.

The finances of Vernes have also deteriorated sharply since nationalisation. After net profits of FFr 12m in 1982, it registered net losses of FFr 161m in 1983, caused principally by heavy provisions on pre-1982 property deals and on commodity trading.

M Gilbert Lasfargues, who took over as chairman of Vernes in 1982, has been searching ever since for e senior partner for the bank, seys the real level of losses last yeer was FFr 250m. This is because the proper level of provisions for 1983 was more like FFr 315m then the FFr 225m struck. As a result of the need for further efforts to "clean up" the balance sheet, this year's net loss will almost certainly rise from the 1983 figure.

M Lasfargues, a former member of the Communist Party (he left around 1968) and a long-serving executive et the Soviet-owned Paris-based Banque Commerciale pour l'Europe du Nord, says he gained a full insight into Vernes' finances only from July 1983 onwards.

Relations with M Jean-Marc Vernes, the bank's main shareholder before nationalisation, although stormy at first have improved. Banque Vernes now has a stake of 10 per cent in M Vernes' new banking venture, Banque Industrielle et Commerciale du Marais.

M Gilbert Lasfargues, chairman of Vernes, promises no redundancies

The reaction of managers and staff both at EB and at Banque Vernes to last month's rescue agreements has been one of relief. The banks have been assured that their identities will be preserved within the new groupings. But not all donbts about the future bave been laid to rest.

Each bank has lost both customers (especially in the ever-sensitive portfolio management business) and confidence since nationalisation but they still have assets on which to capitalise.

EB is hoping to pool expertise in financial services and electronic banking with UBP. The latter bas ill-developed computer services, for instance, and thus could gain from colleboration.

UBP bes been wary all along over the link-ups with CCF and EB, taking a fiercely independent line throughout the negotiations. As a result, Européenne de Banque officials say they intend to "push, not force" the idea of co-operation—which could also involve joint strategies over running mutual funds (another area in which UBP is weak) end teaming up in international business.

Vernes, which despite its troubles still has a strong financial services team, also believes it hes something to bring into the marriage with Indosuez. M Lasfargues has consolidated the bank's commodity trading and portfolio management departments and has continued to build up international business. This currently accounts for about 25 per cent of its credits—one reason, M Lasfargues believes, why the Government could not have allowed the bank to go under.

As the new groupings have been finalised, rationalisation bowever will be very much the order of the day. Européenne de Banque bopes to break even next year. It will be using FFr 230m in low-interest bank loans (FFr 130m of which will come from M Pujol's old institution, the CEPME, costing only 5 per cent for the first four years) to bolster its generally unfavourable funding position.

EB hes already made a stert in trimming its top heavy staffing structure. This was inherited from the days when the Banque Rothschild head office was the hub of a minor financial and industrial empire and not just, as it is today, the headquarters of a bank with 20 branches.

Around 80 head office staff are being retired early, to reduce the overall employe total of 1,300.

At Vernes—which slightly increased its staff between end-1981 and end-1983, from 1,020 to 1,090—cut-backs may also be in store. M. Lasfargues has promised "no redundancies." But M. Jean Peyrelevade, the Suez chairman, sounded a warning note last month against the risks of unnecessary duplication between the often-overlapping activities of Indosuez and Vernes.

Adapting the structures of the banks involved in the link-ups is bound to take time. M. Peyrelevade admited that Vernes would not be paying dividends at least until 1987-88—an even that could be an optimistic view.

M. Lasfargues and M. Pujol, meanwhile, are making clear to their staff that the rescue deals represent the banks' last chance of keeping their identities intact.

M. Lasfargues, 60, who is staying on at Vernes, he says, as o "fther figure" to supervise the transition, underlines that next year will bring Vernes to the crosroads. "If the bank can show it is capable of maintaining a real personality, then the deal (with Suez) will be a good alliance. Otherwise, Vernes will simply be absorbed."

TECHNOLOGY

EDITED BY ALAN CANE

NOVEL FORMS OF GLASS ARE STRONG BUT CHEAP

Glass ceramics for toughness

BY PETER MARSH

A SMALL company in the Midlands is producing a novel form of ceramie material that has applications in a range of industries including electronics, farm equipment and armoured clothing for soldiers.

Dr Ronald Jones left the physics department of Warwick University four years ago to set up Ceramic Developments, which has a staff of 10. The Corby-based company specialises in glass ceramics — crystalline forms of glass.

The materials are hard and tough, and relatively cheap. Moreover, their properties can be varied much more easily than is the case with orthodox ceramics that are normally made by fusing together solids, without a glass-making stage.

Researchers have investigated the substaoce for about 20 years. The Soviet Union produces large quantities to use in tiles and building panels in construction. Corning in the U.S. and Schott in West Germany make glass ceramics, for example for heat-resistant surfaces for cookers and for the radomes of communications aotennas.

Ceramic Developments is examining the potential of glass ceramics as coatings to protect surfaces from abrasion, for instance plough blades and the insides of pipes that carry slurries of coal or cement. In this application, the material could take the place of another ceramic, boron carbide, which ia expensive.

Ratby Engineering, a company in Leicester, has licensed technology from Ceramic Developmeots to use glass ceramics in the armour that protects policemen and soldiers from bullets. Such material can also form part of the undersides of military aircraft, to shield pilots from sniper fire.

Another application of this class of substance is in electronics, where it can form the base for large circuits used in place either of printed circuit boards or semiconductor chips. Wade Potteries of Stoke is using material from the Corby enterprise in a new substrate for this application called Keralloy. Anthony Wade, chairman of the company, says that electronics concerns such as Plessey, Thorn EMI and IBM have bought sample quantities and are showing a strong interest in the substance.

Traditional forms of ceramics are being joined by applications in electronics, defence and farming

Glass ceramics are a subsection of ceramics — inorganic, noo-metallic materials of which silicon dioxide (silica) and aluminium oxide (alumina) are among the most common. In conventional ceramics technology, scientists coalesce (sinter) powders to give a prodnct with a desirable property. Alternatively, they can combine the substances as gases.

But many elements refuse to fuse in this fashion, limiting the range of ceramic materials that chemists and physicists can turn out. By starting from glass, whose constitutents can be varied fairly easily, researchers cao produce a wider variation of substances. According to Dr Jooes, about 5,000 products, all with slightly differeot formulations, can be made through such a route.

As a result, says Dr Jones, the characteristics of the final product can be changed relatively easily — for instance by adding trace elements to the original glass. In this way, researchers can alter physical properties, for example to change tha level of insulation or to make the ceramic bighly resiatant to abrasion.

Also useful is that the expaosion coefficients of the materials can be changed. Thus a ceramic can be made that is ideal for bonding onto another material (which could be a conveotional metal alloy). If tha expansioo coefficieats of the two substances are not matched, the bonded item could snap if heat is applied.

To make the materials, engineers start from glass — a fused mixture of super-cooled oxides sucb as silica that is in an amorphous or oon-crystalline state. The glass is made in a conventiooal furnace, to which trace elements are added to give a material of the required characteristics. The product can be ahaped through traditional methods such as glass blowing.

With beat supplied by an electric current that passes througb the glass, the material is theo melted. Due to the presence of nucleating agents —small particles of substances such as titanium dioxide and zinc oxide—the material crystallises to give a glass ceramic.

In this stage of the process, engineers must pay careful attention to conditions such as temperature that vary the oature of the product. Tbe amount and type of nucleatiog agent will also affect the finisbed ceramic.

Dr Jones is keeping to bimself the details of bow he makes his materials. In the case of the Keralloy, Ceramic Developments supplies Wade Potteries with a fine powder of glass made to a specific formulatioo. This is applied to the surface of a stalnless-steel plate by silkscreen printing to give a thio glaze. The constituents of the glaze are such that its physical properties are matcbed to those of the steel.

With know-how supplied by the Corby company, Wade Potteries then converts the glaze to a crystalline ceramic by firing at a temperature of around 1,000 deg C. Tbe alloy aod ceramic combined gives a tough base for thick-film and hybrid circuits used in the electronics industry. In such devices, electronic elements such as resistors are printed oo top of a substrate to build up complete circuits. The substrate has to withstand the drilling througb if of boles—whicb are sometimea required when workers add electronic elemeots.

Tbese types of circuits conventionally use substrates based on a well-known ceramic—alumina. But hybrid circuits made in this way are limited in size becauae tbe alumina/metal base becomes brittla if more than a few inches in diameter. According to Wade Properties (which also makes electronic substrates based on alumina) circuits that use Keralloy can be up to 12 inches in diameter, provig useful to manufacturers that want very large arrays of compoo ents in applications such as telecommunications or signals processing in military work.

Dr Jones is also investigating applications of glass ceramics in aerospace, for instance to make tough compooents for parts of aircraft such as wings. In one possibility, a layer of glass ceramic could be added to a conveotional carbon-fibre composite to add to resistance.

Portable computers - no more toying around

THE PORTABLE personal computer has suddenly begun to look less of a toy and more like a real business machine.

Epson, Tandy and Husky who pioneered "lap" portables in the form of briefcase sized computers with small liquid crystal displays should not take offence. Their machines won their spurs as "smart" data collection devices or electronic typewriter/text transmitters. The latest generation of portable machines, however, offers the businessman something much closer to the functions available on a desk top machine—and presented in the manner of a desk top computer.

This point is important. It is possible to devise portable computers that can be used for virtually any application—word processing, spreadsheet analysis, electronic mail, even graphics, but to make sense of, say, spreadsheet results on a tiny liquid crystal display requires a measure of commitment in the user. The machine becomes less of a general business tool and more of a dedicated application engine—a perfectly acceptable solution for many business problems, but not the chief design aim of most lap computer manufacturers.

Mr Roger Higgins, vice-president, international sales, for Grid, a U.S.-based portable computer manufacturer put it succinctly when launching extensions to the Grid range in London last week: "Most portable computers are designed to automate a part of a manager's desk-top. The Grid Compass aims to automate it all."

There has been two significant developments over the past year or so which have given portable computers a new respectability (portable means of a size to be carried in a briefcase; transportable means suitcase sized. This article deals therefore with the Grid Compass range, the Data General One, the Hewlett Packard Portable and machines of that kind but not the ill-fated Osborne, the IBM Portable PC or the Compaq).

The first has been the quality of software available; the second has been the size and quality of the screen.

Conventional cathode ray tubes are, in general, out for portable computers.

They are simply too heavy and bulky for a briefcase sized machine.

The simplest and cheapest solution for most manufacturers has been to use liquid crystat display technology. A major breakthrough this year came from Data General, the U.5. computer manufacturer wbich announced a true portable computer with a full size screen—that means capable of displaying 25 lines of 80 characters, compatible with the IBM Personal Computer—in other words, the minimum size for conventional data processing.

Professional Personal Computing

The Data General screen is made in Japan by a number of companies including Hitachi and Panasonic and is capable of displaying a matrix of 640 dots by 256.

This makes it possible to display 25 lines of text in upper and lower case with true descenders.

The size and quality of the DG screen is a far cry from the simple liquid crystal displays of only two years ago but it still has all the faults inherent in the technology. The characters are difficult to see in poor or indirect light and their visibility is critically dependent on the viewing angle.

Nevertheless, LCD technology is cheap. At the lower end of the market it remains the only technology which can challenge the cathode ray tuba for economy and versatility.

In fact, even Grid, the "Rolls Royce" of the portable computer world, is hinting that lt may have to move to LCD if lt builds a machine for the lower end of the market.

In the meantime, it is continuing to develop its electroluminescent display technology which gives a bright yellow oo black image. It is expensive and requires a high operating voltage but the performance is at least as good as coventiooal cathode ray tube displays.

Grid launched two new machines last week both with new, larger electroluminescent displays. Each gives a matrix of 512 by 256 individual points each of which is "bit-mapped"—in other words, each dot is turned on or off by a single binary digit in the computer's memory, making possible very high resolution.

Now Grid's displays have always allowed 25 lines of 80 cbaracters so what is the advantage of thla oew screen?

First, it makes possible lines up to 128 characters wide whlch makes it easier to dlsplay wider spreadsheets for adulting or financial modelliog.

Second, Grid sees it aa a substantial advantage when the compuler is beiog used as a sales aid because it enhances group presentations.

Third, it makes it possible to display mo e graphical data.

Of as mucb laterest is the new software—Gridpaiot for enhaociog graphics (it will work with the Microsoft "mouse" for freehand sketcbes in a variety of textures), Gridtask whicb tbe company says makes software easy to learn, and Gridmaster, a desktop organiser including calendars, appointments diary, calculator and telephone directory all driven by "icons" small pictorial representations of the user tasks on offer.

The problem with Grid is still cost. Top of the range 1139 model costs £7.95. Grid argues that it is aiming at the top end of tbe market, large corporate clicnts who are indifferent to cost as loog as the computer performs to specification.

Last week the company aoounced:

- An original-equipment manufacturers agreement with ICL through wbich ICL will incorporate Grid products into systems to be sold to the MoD, security agencies and to NATO.
- An order worth £1.5m retail from Entre Computer Centres, a U.S.-based computer retailer with its European head office in Slough.

With most compoter manufacturers now offering some variatioo on the lcoo them (the Apple Macintosh approacb), the screeo remains the blg problem for portable veodors. Grid has one solution with electroluminesceoce; but even Apple is going for LCD for a machine to be Jauncbed oext year.

ALAN CANE

Software

Linking programs

IBM PERSONAL computers can communicate between themselves and to mainframe machines using software developed hy lotelligent Techoologies in California, a Logica company.

Called Exchange Series, the product is available ln Europe from Logica VTS (01-637 7761) and coosists of software on diskettes, a user's guide and a printed circuit board which plugs directly into the IBM PC AT or a compatible machine, occupying one of the five expansioo slots.

Exchange Series is aimed at companies needing to integate PC data and applications with mainframe activity like batcb processing and database systems. It supports IBM's systems network architecture (SNA) and allows PC users to be connected to foor differeot mainframe applications, moving back and forth between them without logging on and off. Aoy IBM-compatible printer can be deployed.

Similar communications features have been incorporated into the Kennet business computer and Polynet office system recently announced by Logica VTS.

Sealing

Plastic bags

AUTOMATED PACKAGING Systems of Ledbury is selling a new system to open or seal plastic bags for use oo factories' production lines. The Autobag H-100 operates witb reels of plastic bags wblcb are automatically opened and then sealed after either people or machinery have inserted objects into the contaloers.

UK COMPANY NEWS

S&N moves ahead to £37m midway

A NEAR £6m advance in first half profit has been achieved by the Scottish & Newcastle Breweries group. And, encouraged by the figures, the directors view the future with confidence.

In the period to October 28 1984 the pre-tax profit moved up from £31.6m to £37.3m. Turnover came out at £354.2m, against £348m, and operating profit was £41.5m (£35.3m). Investment income and interest moved up, from £1.2m to £1.5m, but this was more than offset by an increase in interest charges to £5.7m (£4.9m).

In their annual report last August, the directors said it would be unrealistic to anticipate a comparable rate of profit growth to that achieved in 1983-1984. But they expressed their confidence that the year would show further satisfactory progress.

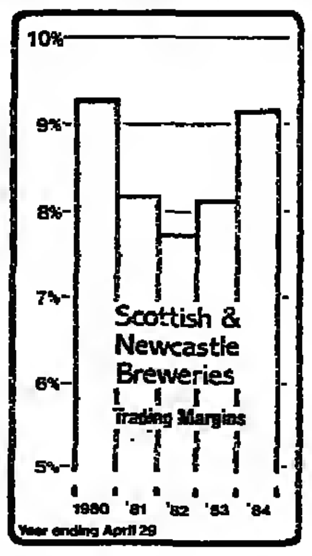
The group's main trading includes the production and sale of beer primarily to the free trade, but also through its own tenanted and managed outlets, under the brand names McEwan's, Younger's and Newcastle; operation by Thistle Hotels of 35 hotels, including nine in London; blending, distribution and exporting of Scotch whisky and wholesaling of wines and spirits by the Waverley Group.

The interim dividend is 1.9p net, compared with 1.73p, and will also be payable to holders of Moray Firth Maltings who accept the offer for their shares being made by Scottish & Newcastle. In 1983-84 the final dividend was 3.64p when the year's profit came to some £55m.

Formal documents will be despatched shortly. The directors feel that Murray will contribute to profits and to a broadening of the group's trading base.

Excluding wines and spirits which were distorted by the sale of Gough Brothers, the turnover rose by 8 per cent.

Beer sales, while experiencing some effect from the miners' dispute, showed accelerating demand for draught lager.



Trading in canned beers compared rather less favourably with 1983's exceptional volume growth due to a higher margin policy and to less dramatic summer temperatures.

Further encouraging profit gains came from tied house trading operation.

Hotels produced an "excellent result." Profits from London hotels were particularly buoyant, *with both room rates and occupancy* levels well ahead of the comparable period. Elsewhere throughout the country good gains were recorded.

Wines and spirits trading, however, continued to feel the effects of over-supply and consequent margin erosion.

After tax £12.4m (£9.5m) the net profit came out at £24.9m (£22.1m) for earnings per share of 8.7p (7.7p).

Financial expenses reflected higher borrowings at the end of the previous year. Cash flow has been positive in the current year.

See Lex

Margins eroded at May & Hassell

A COMBINATION of factors has meant that margins at May & Hassell, timber importer, have been eroded in *the half year to September* 30 1984, with taxable profits slipping from £1.29m to £1.1m on turnover significantly increased at £42.94m against £34.54m.

Mr Peter Alley, the chairman, says however that "under the circumstances" the result must be considered "satisfactory." He points to three major factors that influenced the interim performance. First, exchange rate fluctuations have at times meant an extra cost of as much as 9 per cent.

The spin-off of the miners' strike also had an effect, and, the chairman adds, "there always existed a potential excess of supply over demand."

As regards the future, Mr Alley says that the outlook for the current period must be described as "hazy," but management accounts show that most of the group is still trading profitably, albeit it with reduced margins.

Investment continues, particularly in the new range of woodworking machinery, which should produce some substantial economies in production.

The company could have to face a write-down of stock at March 31 next year, but even so the chairman anticipates *that the full year's result will* be reasonable.

The interim dividend is effectively raised from 1.2p to 1.6p net following the one-for-three scrip issue last July, when the group announced an effective total of 3.75p. Profits for the last full year came to £3.04m.

Operating profits came out at £2.37m in the period under review against £2.29m, after charging £763,000 (£528,000) for depreciation. A related company made a £67,000 loss last time.

The taxable result was struck after £1.27m (£1m) interest payable, and was subject to tax at £200,000 (£48,000), to leave net profits at £904,000 (£1.24m).

Reorganisation paying off as Redfearn cuts loss

CONFIDENCE is growing at Redfearn National Glass. For the year 1983-84 the group has returned to trading profits and made a substantial reduction in its pre-tax loss; for the early part of the present year that favourable trend has continued.

Effectiveness of measures taken to reorganise the glass container business is underlined by a trading profit of £1.1m for the year ended September 30, 1984, compared with a loss of £2.5m which included £416,000 for redundancies. RN Plastics recorded its first full year profit of £110,000, against a loss of £238,000. Overall loss before tax for the year fell from £3.73m to £225,000. The dividend is held at 0.1p net.

Mr John Pratt, chairman, says the year was a difficult and disruptive time for the glass container activities. Sales dropped by some 13 per cent to £48.9m; this reflected the planned reduction in volume following consolidation of manufacture to one site (Barnsley) but also the fact that establishing the new levels took longer than expected.

In the second half improvements were made to manufacturing methods and systems. The beneficial results of this work in terms of productivity and quality have been increasingly evident, the chairman says.

Sales by RN Plastics rose some 5 per cent to £7.67m, and the profit reflects the "real progress" which continues to be made. The product range will now be diversified while continuing to improve the present operation.

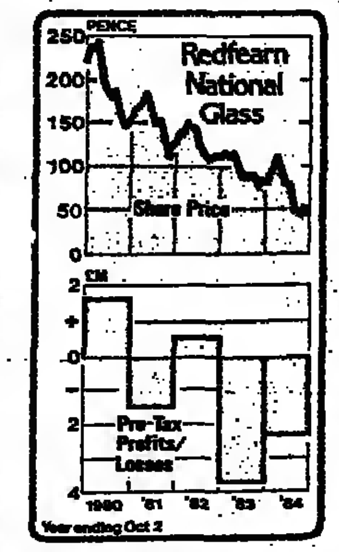
Mr Pratt says after the upheavals of last year, the company is in a position to see the benefits of the establishment of the glass container activities on a single site. The aim is, through careful market selection and efficient manufacture, to maintain a profitable and substantial presence in the industry. It is also planned to expand further the product range in PET containers.

Capital expenditure in 1983-84 totalled £2.1m, the main projects being the repair of furnace and expenditure on high productivity glass plant and equipment.

Borrowings were reduced only marginally and that trend should continue in the current year.

In the past year there were extraordinary credits of £856,000, against charges of £5.44m, comprising a profit of £718,000 on the sale of the surplus Tadcaster warehouse and Marton property, less net balance on provisions made last year to cover various costs from closure of the York factory.

At the year end shareholders' funds stood at £9.04m (£8.43m). Overdrafts were £9.66m (£8.73m) and fixed assets £14.49m (£15.11m).



● comment

Prospects look much brighter for Redfearn National Glass in the current year, now that the painful rationalisation of the business is complete. The labour force is down from around 1,700 to 1,200 with the closure of the York factory and concentration on one site in Barnsley. Overcapacity in the glass industry generally has been reduced from 25 per cent a year ago to 7 per cent and price increases have further helped to pep-up the market. On the plastics side, Redfearn has just shown what can be achieved by improving internal operating efficiency, converting a £238,000 loss into a £110,000 profit on just a 5 per cent increase in sales. Further improvements are expected as the market grows for PET containers (which include those plastics like large bottles that often do not fit in the fridge door). The company has a long way to climb out of heavy borrowings and a loss per share of 3.66p. It may not reach break-even by the seasonally quieter first half, but should glide comfortably into profit by the year end. The shares closed up 9p at 54p.

Cambrian & General to raise $117m

Eurodollar borrowings totalling $117m are being raised by Cambrian & General Securities, the fast growing investment trust chaired by Mr Ivan Boesky, the American arbitrageur—and in both cases the rates of interest are high by market standards.

Farnsworth and Hastings, a wholly-owned Cambrian subsidiary which engages in short-term investment and risk arbitrage, is making a $67m Eurobond issue of 16.5 per cent guaranteed bonds due on January 15, 1988.

Cambrian itself is raising $50m through a seven-year floating rate note at 1¼ per cent over the London Inter-bank offered rate and has organised the facilities to raise a second $50m tranche.

Farnsworth and Hastings is to use the proceeds of its issue for the purchase and sale of securities, primarily in the U.S., in the course of its risk arbitrage activities, while Cambrian's borrowings will be used for investment in longer-term securities.

The Farnsworth bonds, which will be listed on the London Stock Exchange, are unconditionally guaranteed by Cambrian. They have an issue price of 100 per cent and are non-callable for six months.

The Cambrian $50m note, secured on U.S. Treasury issues and other securities, is managed by J. Henry Schroder Wagg.

Whessoe is depressed by slack demand but expects improvement

THE DOMINANT feature of the year to September 29 1984 at Whessoe was inadequate workload and activity, and this is reflected in the group's operations and results, which show a decline in taxable profits from £6.88m to £4.14m on turnover down by £11.67m to £99.68m.

The directors of this Darlington-based engineering concern state, however, that with the bulk of the costs of manpower and capacity adjustments now over and with rising activity and a good start to the current year therefore assured, a "somewhat better" group result is likely for 1984-85.

The deterioration was anticipated at midway, when the pretax figure at £1.12m was less than half the comparable £2.89m.

After tax at £1.83m (£2.78m) earnings for the year are stated at 12.8p per share, down from 22.7p, but the final dividend is held at 3p net, for an unchanged 5.5p total. The distribution will cost the group £994,000 (same).

The result came out of operating profit down from £5.01m to £2.97m, boosted by a £659,000 (£792,000) contribution from related companies and net interest at £505,000 (£1.08m).

Extraordinary items took £552,000 (£271,000) from the net surplus at £2.31m (£4.1m), and the company retained profits at £789,000 (£2.83m).

Lord Erroll of Hale, the chairman, says that the adverse effects of activity shortage varied in both duration and severity across the group.

The three operating subgroups all reported lower taxable figures, with the sharpest decline coming from heavy engineering at £2.88m against £4.62m.

The performance at the Darlington works was dominated by a high incidence of under-recovered overheads and redundancy costs, the latter exceeding £1m, with poor prices and low margins on new contracts received. However, the year also saw the delivery and installation of equipment for the Heysham and Torness nuclear power stations, and the commencement of additional contract works on site. These are providing "welcome *forward* activity for the division."

Profits slipped from £1.41m to £979,000 at the Aiton high pressure pipework offshoot, and from £850,000 to £283,000 at light engineering.

● comment

It has not been one of the market's favourite stocks, but at 88p Whessoe should again be tracking its way onto the brokers' "firm hold" or "buy" lists. On the face of it a profits decline of two-fifths is not the obvious occasion for such remarks but the decline was no worse than expected. Only Aiton in Canada could really be described as disappointing with a £900,000 loss above the line and a further £300,000. That took the edge off high pressure pipework activities as a whole but the downturn in heavy engineering—down £1¾m at the pre-tax line—is largely as expected, especially as the figure is struck after a £1m redundancy charge at Darlington. Now it is time for the market to be looking forward again. Whessoe should be capable of at least $5¼m pretax, which drops the earnings multiple by 1¼ points to under 5. The yield, which will surely be maintained, is over 9 per cent.

Bush Radio sacks Golden as auditors

Shareholders of Bush Radio, the Enfield-based consumer electronics group, yesterday formally dismissed as joint auditors Lewis Golden, a small chartered accountancy firm which is involved in a High Court dispute with it over fees.

Bush hired Touche Ross as joint auditors with Golden earlier this year before Bush's flotation on the Unlisted Securities Market. It later asked Golden to resign, but the four-partner firm refused to do so, and Bush convened an extraordinary meeting of shareholders to remove it.

A statement by Golden read out at the EGM yesterday said it wanted to draw the attention of Bush shareholders to the circumstances of Bush's alleged non-payment of fees. It accepted that the actual dispute over fees was a matter for the courts.

Golden's statement said Bush directors had accepted its fees without demur, and had signed company accounts including them. No money was received, it said, until after Golden had issued proceedings against Bush.

Mr Mark Futter, joint chairman of Bush, later declined to comment on the dispute, saying: "The High Court will decide the issue."

Golden said it had so far been paid £21,000, and Mr Alan Mills, a partner at Golden, said that claims made against Bush had totalled £56,441. Mr Futter would not confirm the figure, but said that claims outstanding were well below £50,000.

Bush also announced yesterday that taxable profits had jumped from £539,837 to £832,948 in the year ended August 1984, beating the prospectus forecast of not less than £820,000.

The improvement was struck on turnover up from £8.44m to £8.83m. Trading in the current year has commenced well, say the directors, and they expect another satisfactory year.

A nominal dividend of 0.14p net will be recommended, with earnings per share stated at 5.3p (3.8p).

Oppenheimer

Oppenheimer and Company, the investment banking and securities trading subsidiary of Mercantile House Holdings, has seen pre-tax profits drop from U.S.$19.04m (£15.99m) to $6.94m (£5.83m) in the six months to October 31 1984.

Revenues totalled $259.04m against $185.08m, and the result came out at $4.46m ($13.71m) net of tax.

Lucas talks on aid continuing

BY LORNE BARLING

Lucas Industries is continuing to negotiate with the Government on aid for further rationalisation of its electrical division, and could qualify for funding under the assisted status recently granted to parts of the West Midlands, according to Mr Godfrey Messervy, chairman of Lucas.

He said that Lucas Electrical, which produced alternators and starter motors, aimed to bring many of its activities onto one site as part of a plan to improve productivity and ensure the future of the products.

Mr Messervy was speaking after the company's annual meeting, at which he said the past year had seen a substantial recovery in the group's performance, with a 15 per cent in turnover to £1.4bn. Pre-tax profits rose to £32.6m compared with £2.1m in 1983.

Mr Messervy would not comment on speculation about a possible bid from the U.S. aerospace giant Rockwell International, which has built up a substantial shareholding in the company.

However, he said that Lucas's troubled automotive batteries division was not performing adequately but had been helped recently by a 12 month contract from Austin Rover to supply half a million batteries.

Overall, about 40 sections of the company were now being closely examined on the basis of their profitability, and closures would be implemented where adequate returns on capital could not be achieved in the foreseeable future.

Mr Messervy said that recent strikes at Jaguar, Austin-Rover and the continuing strike at Ford had been damaging in the short term, but the prospects for the coming year were generally good.

On the automotive side there was stable demand in Europe and a good outlook for growth in North and South America. In aerospace, the civil sector was coming out of recession and defence work was steady.

COMPANY NEWS IN BRIEF

Wyndham Engineering, steel fabricator and general machinist, lifted pre-tax profits from £26,000 to £33,000 on turnover up from £451,000 to £647,000 in the six months to September 30 1984 but the directors state that the margins in engineering are still below those required.

Property acquisitions and other investments will produce cross investment income of £200,000 in a full period. Earnings are stated at 2.25p (3.58p) per share.

* * *

Widney proposes to pay its dividend in arrears and for its current period on 7 per cent cumulative preference shares (July 1 to December 31 1984 inclusive) to shareholders on the register on December 14. Total payable is £34,300 net (£29,400 arrears and £4,900 current period) or 17.15p net per share.

* * *

The problems of the merger with dB Instrumentation and relocation are over for DBE Technology, the USM Marine equipment maker, profits of £174,000 for the 28 weeks ended October 5 1984, against a £47,000 loss for 26 weeks last time.

In the 28 weeks the work done amounted to £1.59m, against £1.72m.

* * *

Pre-tax profits of Marling Industries, industrial textile maker, rose £100,000 to £889,000 for the six months ended September 30, 1984, on sales down slightly at £12.39m (£12.82m). The interim dividend is up from 0.52p to 0.6p net from earnings of 3.377p (2.95p) per share basic; 3.141p (2.776p) fully diluted.

* * *

Eldridge, Pope and Co, brewer and wine and spirits merchant, achieved higher pre-tax profits of £2.38m, against £2.25m, in the year to end-September, 1984 on turnover of £22.37m (£20.19m).

The final dividend is 2.8p (2.42p adjusted) for a total 4.9p (4.28p). Tax took £931,000 (£715,000). Earnings per share were 17.2p (18.9p).

* * *

The directors of J. W. Wassall, a retailing subsidiary of Benson Shoe, say they are disappointed with Christmas trade to date but are confident that the profit for the year ending January 1985 will not be less than the previous £69,000. That compared with losses in each of the three preceding years.

* * *

In the half-year ended September 30 1984 turnover of Tex Abrasives almost came up to expectations at £2.88m, compared with £2.7m, but the profit performance has been modest, rising only from £163,000 to £167,000. The interim dividend is again 0.75p.

After tax £79,500 (£72,000) the net profit was £87,000 (£91,000), or 3.9p (4.1p) per share.

* * *

Interim results at Nesco Investments show profits of £363,000 before tax, compared with £209,000, following the sale of all loss-making subsidiaries last January. Turnover for the six months to the end of August 1984 amounted to £2.24m against £5.72m.

* * *

For the half year to end-September 1984 Willaire Systems, USM-quoted manufacturer of environmental control equipment, incurred a slightly lower pre-tax loss of £29,000, against £32,000.

The directors say that the better first quarter trading results could not be maintained in the face of the continuing deterioration in sterling. The order book, however, is at a higher level than at the same time last year.

Turnover was little changed at £1.11m (£1.12m), although sales showed an increase over the second half of last year.

Despite an increase in turnover, from £16.16m to £17.68m, pre-tax profits at Deritend Stamping fell from £623,000 to £427,000 for the six months to end-August 1984.

The directors of this holding company with interests in forgings, castings and electrical installations and repairs, say that prospects for the second half, however, are more encouraging.

A same again 2.2p interim dividend is being paid. Net earnings per 50p share were shown as 5.63p (9.67p).

* * *

The Dwek Group has increased its first half 1984 profit from £33,000 to £42,000.

Since the summer, margins on electrical goods have become "so severely eroded as to render the division unviable," and operations have been suspended which will mean writing off some £70,000 contributed towards the development of a new colour television.

* * *

Continuous Stationery has made great inroads into its losses, reducing them to £56,581 in the half year ended September 30, 1984, from the £116,796 sustained in the preceding six months. The interim dividend is again 0.45p per share.

Turnover in the half year came to £1.8m against £2.14m in the same period of 1983. Last time there was an £63,200 tax charge to leave the net profit at £76,617 for the period. Loss per share is 1.14p (earnings 1.63p).

* * *

Full-year pre-tax profits at Reliable Properties climbed from £574,000 to £1.03m and the final dividend is being lifted to 2.25p, against 1.75p, for a higher total of 3.5p (3p).

Tax for the 12 months to end-June 1984, took £491,000 (£281,000). There was an extraordinary debit of £15,000 last time. The company is engaged in property dealing.

* * *

Mitchell Somers, engineer and foregmaster, reports an advance from £9,000 to £590,000 in profit for the half year ended September 29 1984, and feels the results for the full year "will be reasonable." The interim dividend is held at 1.5p.

UK COMPANY NEWS

Belhaven soars to £0.8m and resumes dividend

THE Belhaven Brewery Group returned sharply higher profits over the six months to September 30, 1984 and in view of the progress to date the directors are resuming dividends for the first time since 1979.

On the back of a £1.44m rise in turnover to £6.18m profitsat the pre-tax level surged from £346,000 to £817,000. Figures for the previous full year totalled only £405,000.

Mr Nazmu Virani, the chairman, says the improved results were achieved by better housekeeping in all divisions together with investment profits.

Shareholders are to receive an interim dividend of 0.35p net per 25p share.

The brewery division achieved an increase in profitability of some 30 per cent although it is pointed out that the agreement with Courage and Saccone and Speed did not become operational until the end of July.

The hotels and holiday village also showed an overall increase in profits. However, this part of the group's business is seasonal and the major contribution comes in the opening six months. Nonetheless, the second half has "started well."

A breakdown of turnover and operating profits of continuing operations (£874,000, against £425,000) by division shows: brewery £3.81m (£2.81m) and £295,000 (£225,000), hotels and holiday village £1.61m (£1.35m) and £276,000 (£236,000) and construction £761,000 (£575,000) and £85,000 (£53,000). Central administration net of investment profits of £298,000 added £238,000 (took £89,000).

Net interest charges accounted for £57,000 (£22,000) and tax for £248,000 (£26,000). Below the line there were extraordinary credits of £21,000, being the surplus on the disposal of an hotel property. Last time extraordinary debits totalled £388,000.

Available profits emerged at £590,000 (£68,000 loss) from which the interim dividend will absorb £86,000.

Earnings per share came through at 2.42p (1.47p).

BOARD MEETINGS

The following companies have notified date of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Equity and Law Life Assurance Society, Reed Executive, Russell Brothers (Paddington), Tops Estates, Towles.

Finals: Bush Radio, F. & C. Alliance Investment, Hawtin, J. & H. B. Jackson, Trident Television, Watson and Philip, Western Selection, Widney.

FUTURE DATES

Interims:

American Oil Field Systems	Dec 16
Ellis and Everard	Jan 7
Mebon	Jan 10
Sheefbank Property Trust	Dec 20
Victoria Carpet	Dec 19

Finals:

Ashley Industrial Trust	Dec 20
Associated Newspapers	Jan 11
Hawtin	Dec 18
Sperall (CA) (Special Agency)	Dec 19
Winterbottom Energy Trust	Jan 8

Pyke expands 85% to £1.2m

ORGANIC GROWTH made possible by an earlier investment in new production facilities together with the acquisition of Peter Fairfax enabled Pyke Holdings to push its profits before tax up by some 85 per cent in the year to September 30, 1984.

A final dividend of 3p (2p) lifts the total from 3.5p to 5p net per 10p share.

Mr Peter Garner, the chairman, views the future with confidence and says the directors are currently looking at further opportunities to expand regional distribution.

They are also investigating the possibiliyt of increasing export turnover which is a "small but growing" part of the business.

Turnover for 1983-84 improved from £18.45m to £34.91m and pre-tax profits amounted to £1.16m, compared with £630,000.

Tax took £520,000 (£110,000). However, an extraordinary debit of £360,000 (nil), representing a deferred tax provision, left available profits well down at £284,000 (£520,000).

In the current year turnover has continued to increase and Mr Garner looks forward to another successful year. Pyke is the UK's leading supplier of meat to the catering industry.

Since the end of the financial year the group bas made two further acquisitions of catering butchers in Newcastle-upon-Tyne and Birmingham. Peter Fairfax was acquired in September 1983.

In his interim statement last May Mr Garner told shareholders that significant additional provisions for deferred tax had been necessitated by changes in the Finance Bill.

He said that Peter Fairfax had contributed to the group's first half profits (£505,000, against £277,000) and that its integration was proceeding well.

Siebe nears £7m with help from Tecalemit

TAKING IN the contribution from the recent acquisition Tecalemit, the Siebe safety products and engineering group bas lifted its profit by 93 per cent, from £3.6m to £6.97m, in the half year ended September 30 1984. Without Tecalemit, the advance was 52 per cent.

The interim dividend is raised by 15 per cent from 3.15p to 3.63p net. Total for the year ended March 31 1984 waa 9.45p paid from profits of £11.3m. The interim absorbs £680,000.

Turoover for the balf year moved abead from £62.61m to £102.41m, while the profit included £38,000 (£148,000) from associates. Tax requlrement is £3.06m (£1.68m) of which £2.54m (£1.14m) is applicable overseas.

After minorities £613,000 (£198,000) net earnings come out to £3.3m (£1.73m), equal to 17.6p (12.3p) per share.

Godfrey Davis down but sees record year

Despile a sllght setback from £1.85m to £1.69m in mldway pretax profits at Godfrey Davis (Haldings), after much hlgber interest, the directors confidentlv expect the figure for the full year to exceed last year's record £3.25m.

Turnover amounted to £51.95m (£50.57m) for the six months to September 30 1984—activities include Ford main dealerships and the operating of Park Home estates.

The interim dividend has been beld at 1.5p—earnings per share are shown as 5.3p (6.4p). In the last full year a total of 4p was paid.

Interest payable rose sharply to £409,000 (£16,000) and tax was £676,000 (£617,000).

MINING NEWS

Miners' strike pulls down Hampton Areas first-half earnings

BY GEORGE MILLING STANLEY

THE UK coal strike has hit severely the profits of Hampton Gold Mining Areas in the six months to September 30, but improvements elsewbere and one big dosposal enabled the group to maintain the interim dividend.

First-half attributable profits of the London-registered international natural resources group fell by about 25 per cent to £761,000, from £1.03m, and the dividend is an unchanged 1p per share from earnings of 2.79p against 4.24p. Hampton Areas paid a total of 3.75p from earnings of 10.66p in the year to March 31 1984.

The prolonged coal dispute affected the performance of the group's three mines in the UK and of the Wultex mining machinery subsidiary, and was largely instrumental in the fall in gross profits by over £1m, from £1.68m to £638,000.

The other main contributor to operating income, tha important royalty on nickel produced by Western Mining Corporation from land owned by Hampton Areas, was broadly unchanged at £546,000, reflecting the similar level of production and metal prices. Nevertheless, the group recorded an operating loss of £360,000 compared with profits last time of £868,000.

Other income was boosted by the sale of the interest in Tasminx by the group's Australian subsidiary, which accounted for the bulk of £597,000 received from the sale of investments. Improved results from New Court Natural Resources and Nesqueboning Coal in tha U.S. lifted the contribution by related companies from £7,000 to £186,000.

Mr George Livingstone-Learmonth, Hampton Areas' managing director, said yesterday that Nesqueboning was now profitable, after a loss in the last full year of £134,000, and that most of the start-up difficulties bad been resolved. There could, however, be further problems if the Pennsylvania winter is particularly severe.

Tho group revealed that progress with the Colorado gold joint ventures had been slower than originally envisaged. A restructuring and refinancing of the agreements with the local companies, Centennial Gold and Marathon Gold, is currently being discussed, and changes to the senior management of the project are also being proposed "in order to improve operational momentum."

Hampton Areas retains its confidence in the potential of the project, which involves a large tonnage, low-grade open-pit mine to recover gold and the rare earth monazite and xenotime, used in a variety of applications from lasers to lighter flints.

Mr Livingstone - Learmonth described the first-balf results as a "resolute performance" in the face of severe difficulties, and said his greatest hopes for the remainder of the year centred around continued progress with the development of the Balmoral oilfield in the North Sea and with the exploration joint ventures in Australia.

Once the UK coal strike is settled, he added, the group is poised for further growth.

Westfield

Westfield Minerals, a member of the Canadian Northgate Exploration group reports that "significant" gold intersections bave been obtained in four more drill boles at the Mishibishu Lake joint venture gold property in northern Ontario, 45 miles south-east of Hemlo. Visible gold was recorded in another hole for wbich assays are not yet available.

COMPANY NEWS IN BRIEF

Health Care Services, a USM stock, returned taxable profits of £6,000, against losses of £12,500, in the half year to end-September 1984. Turnover amounted to £793,000 (£645,000).

The figures do not include any contribution from Medic International, which was acquired last month. There was again no tax payable.

* * *

Reckitt & Colman Australia increased pre-tax profits from A$31.39m to $38.94m (£32.83m) for the year to October 31, 1984, against sales of $305.88m (£257.85m), against $369.99m.

Net attributable profits were up from $16.83m to $20.5m, and there was an extraordinary credit of $3.36m ($1.82m debit) arising mainly from the disposal of the Indonesian interest. A final dividend of 9 cents (8.5 cents) makes a total of 17 cents (16 cents).

* * *

Pre-tax profits advanced from £970,000 to £1.61m at British **Steam Specialities Group** in the six months to September 30 1984, and the interim dividend is being effectively raised from 1.818p to 2.25p per share.

Turnover of this pipeline equipment supplier rose from £27.95m to £31.69m. The directors expect the improved performance to continue.

Earnings per share were stated as 6p (4.6p adjusted for a one-for-ten scrip), after tax of £768,000 (£338,000).

* * *

Pre-tax profits at USM-listed **Havelock Europa**, shopfitters and store refurbisher, rose from £210,000 to £291,000 in the half year ended October 19 1984 on turnover ahead from £3.25m to £4.17m.

The interim dividend is 0.7p net per share, with earnings stated at 2.63p (2p) per share.

The directors say that the current half commencing with a substantially higher level of orders than in the corresponding period, and new orders received this month and last were "highly satisfactory."

* * *

Radio Clyde, independent local radio contractor for Glasgow, raised pre-tax profits from £493,000 to a record £624,000 in the year to September 30 1984. Turnover increased by some 10 per cent to £5.14m.

A final dividend of 2p makes a total of 3.25p (3p) net. The company's 25p sbares are traded on the USM. Advertising revenue remained at a bigb level over the year but fnr the first quarter of 1984-85 is showing a downturn. The company bas no net borrowings.

* * *

Gross income of the **G. T. Asia (Sterling) Fund** declined from £726,504 to £656,586 in the year to September 30 1984. Net income improved from £158,057 to £305,983 and net assets at offer valuation amounted to £19.59m.

* * *

Pre-tax profits of Hardys and Hansons, brewer, improved from £2.66m to £2.93m over tha 52 weeks ended September 28, 1984, and a final dividend of 10.4p lifts the net tntal by 1.4p to 14.9p.

Turnover totalled £17.65m (£16.47m). Profits included interest and investment income (less interest payable) of £414,000 (£384,000). Tax took £1.4m (£1.38m) and earnings amounted to 30.47p (25.4p) per 25p share. Extraordinary items added £459,000 (£123,000).

* * *

Jnhn J. Lees, confectionery manufacturer, saw a slight rise lo taxable profits lo the balf year to September 30 1984, from £64,000 to £66,000.

Turnover rose by some £300,000 to £1.69m, with a near 50 per cent improvement from the Heather Cameron Foods offshoot.

With tax at £15,000 £(11,000) and minorities at £13,000 (£9,000) earnings are stated at 3.84p per sbare (4.32p). The Interim dividend is beld at 0.9p net.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Belhaven Brewery	0.35	Jan 15	Nil	—	Nil
Bush Radio‡	0.14	—	0.14		
Caffyns ...int.	2.2	Jan 23	2.2	—	4.5
Godfrey Davis ...int†	1.5	Jan 10	1.5	—	4
Haima ...int.	0.73	Feb 11	0.61	—	1.58
Hampton Gold ...int.	1	April 6	1	—	3.75
Havelock Europa‡ ...int.	0.7	Jan 31	—	—	—
John J. Lees ...int.	0.9	Jan 21	0.9	—	2.9
May & Hassell ...int.	1.6	Feb 4	1.2*	—	3.75*
Pyke Holdings	3	—	2	5	3.5
Redfearn National	0.1	—	0.1	0.1	0.1
Scottish & Newcastle int.	1.9	Feb 18	1.73	—	5.37
Siebe ...int.	3.63	April 1	3.15	—	9.45
Speyhawk	6.4	—	5.7	8.4	7.7
Stock Conversion ...int.	2.5	Mar 25	2	—	5.5
Eliza Tinsley¶ ...int.	1½	Feb 4	1	—	—
Wheesoe	3	Jan 26	3*	5.5	5.5
Williamson Tea	20	Jan 29	15	20	15

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Final 1.8875p net forecast.

UK COMPANY NEWS

Sir Michael's plan to revive Dunlop

IN HIS first letter to shareholders of Dunlop since taking over as executive chairman, Sir Michael Edwardes says that the group "is facing a financial crisis that can only be overcome by radical actioo."

Confident that the group can he restored to financial health Sir Michael and his new colleagues believe that "Dunlop bas many excellent businesses and products with considerable potential, but that further rationalisation and capital expenditure will he required to exploit this potential."

The journey back to health will comprise both "a *major* financial reconstruction" and the adoption of 'a radically different approach to the management of the Dunlop group."

While a caucus of existing Dunlop shareholders attempts to fend off substantial dilution of their interests following reconstruction, arguing instead for a *more extensive* disposal programme, hte plan is for an injection of new equity capital, partly from existing shareholders and partly from new institutional investors.

Dunlop's main banks agree in principle to these arrangements, which are expected to include conversion by all Dunlop's banks in the UK of some of the loans to the group into new equity and the provision by these banks of a package of borrowing facilities.

Sir Michael stresses that "the amount of new share capital required is coosidered to be far beyond the capacity of existing ordinary shareholders to provide. The proposals for the financial *reconstruction will* therefore involve a substantial dilution of your holdings. However, the board's objective will be to enable ordinary shareholders to participate very substantially in the new issue."

The timing of the announcement is still possible before the Christmas break. If not, the full details and the prospectus should *be made* available early in the New Year.

48% rise for Britain's highest paid director

BY ALEXANDER NICOLL

BRITAIN'S highest paid director, BOC group chief executive Mr Richard Giordano, received a 48 per cent pay increase this year, and five other officers of the diversified industrial gases group earned more than £130,000, according to the anoual report published yesterday.

Mr Giordano, 50, was paid £771,600 in the year ended September 30, 1984, compared with £521,500 in the previous year—a slight drop from the £579,000 be earned io the year to September 1982.

Sir Leslie Smith, who bands over the chairmanship to Mr Giordano in the New Year, earned £131,900 in the latest year and four executive directors—working, like Mr Giordano, either wbolly or partly outside the UK—earned between £155,000 and £205,000. They are Mr James Baldwin, Mr David Craig, Mr Desmond O'Connell and Mr David Pitts.

All of the five top earners except Mr Pitts are Americans, and Mr Pitts is shown in the annual report as owning a house in New Jersey whicb he had previously rented from BOC.

With a large proportion of its business in the U.S., BOC's policy is to pay salaries competitive with those which its executives could earn if employed in similar roles by U.S. companies.

In the report, Mr Giordano forecasts increased earnings in 1985, with bigh levels of capital spending in the U.S. providing strong demand for most of its products.

BIDS AND DEALS

Comfort grudgingly agrees to Ladbroke offer terms

BY RAY MAUGHAN

Comfort Hotels, the middle price range hotels group founded and headed by Mr Henry Edwards, yesterday gave grudging acceptance to the £71m bid launched on December 11 by Ladbroke Group.

Mr Edwards and his colleagues looked to be holding the door ajar for yet another bidder when they said that "altough the board *is now satisfied* as to the form of the offer it does not consider that the terms fully reflect Comfort's excellent growth prospects."

"Nevertheless," they added, "in the absence of any better offer, the directors do intend to recommend that Comfort's shareholders accept the offer."

And the way was cleared for formal acceptance by removing the one serious condition raised by Ladbroke. That stipulated that Comfort should drop its own £15m offer for Prince of Wales Hotels and, on the basis that Comfort intends to recommend the Ladbroke offer, discussions have taken place with POW, its advisors, and Taddale which owns 60 per cent of POW. An agreement has been reached whereby the POW offer will, with the consent of the Takeover Panel, be withdrawn.

Taddale has further agreed in this event, to withdraw its irrevocable undertaking to accept Comfort's offer.

Comfort shares were unchanged yesterday at 89p against an effective bid price of almost 91p, taking Ladbroke at 257. One of the features of this bid is the strength of Ladbroke's own shares, recovering from 248p at the outset to close 4p higher than the price prevailing when the terms were first calculated.

Intasun, the tour operator, opened the bidding for Comfort last month but its offer was instantly rejected last month and was anyway left trailing some way behind Ladbroke's subsequent offer. It was noticeable that *Comfort did not reject* Ladbroke immediately and the two sides have been drawn closer together ever talks this weekend.

Mr Harry Goodman, chairman of Intasun, formally conceded defeat last night. He said: "We think the Ladbroke offer is a full and fair offer for the company and pledged our 14.9 per cent irrevocably to Ladbroke's earlier today."

Londonderry hotel bought back for £18m

Hoteliers David and Frederick Barclay have bought the Londonderry Hotel on London's Park Lane for around £18m from a group of Middle Eastern investors — just five years after selling it for £9.5m.

The sellers, who are led by a company called Marwell, have kept the hotel closed for the past four years and the Barclay brothers are planning to spend some £3m to *£5m refurbishing* the 160-room building, which they first bought in 1970 for £2.6m. They hope to open it in the middle of next year.

To help pay for the acquisition, they are selling the Great Western Hotel at London's Paddinton station to a group of Asian hotelier's the Bhattessa brothers.

A *spokesman* for the Barclays said they had decided to buy back the Londonderry now because of "the state of the hotel market and our position." There is strong demand for hotel beds in the capital.

The Barclay Brothers, who bought Ellerman Lines last year for around £50m, also own the Crosvenor Hotel in London's Victoria, the Charing Cross Hotel and the Howard Hotel in the Temple.

Beazer must decide how to bridge Bath premium

C. H. Beazer (Holdings), the property and housebuilding group, has given *itself another* fortnight to decide whether to lift the terms of its £52m contested offer for Bath and Portland Group.

At the first closing late last Friday, Beazer had won acceptance from holders of just 0.16 per cent of the Bath ordinary capital, with its starting stake, lifts its control to 22.2 per cent.

The extension now runs until the Friday after Christmas as Beazer decides how to bridge the substantial premium which Bath shares have consistently enjoyed throughout the offer period.

Beazer's shares added 2p yesterday to 262p but the *composition of* its equity and cash bid gives an effective bid price of just under 287p against Bath's closing price of 275p, up 3. Bath has not yet made available the details of profits and dividends for the year which ended on October 30, to say nothing of any forecast for distribution and trading in the current financial year.

The cash alternative, worth 226p, has now been removed although Beazer has retained the option of asking County Bank, its financial advisor, to underwrite another cash alternative at a later stage.

Romai Tea bid set to proceed

A £4.37m agreed bid for Romai Tea by George Williamson seemed set to proceed after a dissident Romai shareholder, Mr John King, yesterday "unreservedly and unconditionally" withdrew objections lodged in the High Court against it.

Mr King withdrew bis objection — hesought information on Williamson's profits — after a meeting with Mr Richard Magor, who controls Williamson and is chairman of Romai. Williamson owns 51 per cent of Romai and had acceptances from holders of 94 per cent of the outstanding shares.

Perry sells leasing arm to UDT

Harold Perry Motors, the Ford main dealers, bas sold its leasing company, Perrylease, to United Dominions Trust, the Trustee savings bank subsidiary.

As a consideration, Perry's has received an immediate payment of £50,000 and will continue to be entitled to receive the earnings arising on thel ased asset portfolio existing at the date of the sale.

Before the sale, the retained reserves of Perrylease, amounting to £727,970 were distributed to Perry's through a dividend.

The deal will result in the virtual elimination of the Perry group's borrowings, which currently stand at about £7.75m.

In the year to December 31 1983, Perrylease had pre-tax profits of £273,000 out of total group profits of £3.4m.

Grovebell extends Atlanta bid

Mr Vasant Advani's Grovebell Group has extended its offer for Atlanta Investment Trust until December 24 after receiving acceptances in respect of 26 per cent of Atlanta's ordinary equity by last Friday.

Crovebell is offering 17 of its shares, which ended unchanged yesterday at 16½p, for two Atlanta shares, with a cash alternative of 127.5p *per Atlanta* share. The share offer values Atlanta at 142p against yesterday's 135p close.

Atlanta, which has been broadening its range of financial services, bas described the Grovebell bid as inadequate and opportunistic.

BIDS AND DEALS

Reed International bas acquired, through Reed Holdings Inc., the share capital of W. F. Taylor Co. Inc of California, U.S. for \$6.5m in cash (£5.46m). The business, which made a profit before tax of \$1.5m on sales of \$15.7m in the financial year ended September 30 1984, will continue to be *managed by* the founder, Mr Wallace Taylor.

* * *

Brengreen (Holdings) has completed the purchase of the 80 per cent bolding in Hutchinson Environmental Services.

* * *

Standard Chartered bas sold its 40 per cent stake in Schroders & Chartered, the Hong Kong merchant bank, to its other two partners Schroders and the Kadoorie Group for an undisclosed price.

Schroders, which is taking up 35 per cent, will end up with 75 per cent of the merchant bank and Kadoorie's stake will rise to 25 per cent. The bank will be renamed Schroders Asia.

* * *

BPCC has idsposed nf 78,500 Waddington ordinary shares (0.9 per cent) and now holds 1,796,500 (20.56 per cent). Pergamon Press Inc an overseas associate nf BPCC, bas disposed of its 165,000 ordinary shares in Waddington (1.89 per cent).

UK COMPANY NEWS

Speyhawk earns and pays more

PROPERTY development and construction group Speyhawk has lifted its profit from £3.13m to £3.77m in the year ended September 30 1984, and is paying a final dividend of 6.4p for a net total of 8.4p, compared with 7.7p.

The improving market in the later part of the year enabled the company to maintain momentum at proportionately higher margins of profit on its completed schemes.

The new year begins with a number of buildings completed and for which tenants are being sought, or lettings are in course of negotiation. Tellings, the construction arm, is trading profitably and undertaking some external contracts.

With the improvement in the market and in general trading conditions, the company has already secured a number of larger development schemes. It has been selected as developer for Wimbledon Town Centre and is considering other similar opportunities.

Progress has been made with the comprehensive scheme at Old Isleworth where work is expected to start next summer; in Brighton demolition is well advanced and construction of the £25m hotel and office complex will begin next month.

In the City, the company has secured three development schemes, and in the West End four developments, including Jubilee Hall, Covent Garden, which was acquired from the GLC and funded with an institution during the period.

In America Speyhawk commenced construction on the joint venture development of 92,500 square feet of offices at Fairfield, New Jersey, and has planning permits for a 70,000 square foot office scheme in Greenwich, Connecticut. It will be opening an office in the U.S. in February in order to expand its activities there.

Turnover in 1983-84 advanced from £16.14m to £44.52m. The profit was struck after £11,000 to employees share participation, and is subject to tax £1.6m (£1.27m). There is an extraordinary debit of £128,000 this time and earnings are shown at 21p (18.2p) per share.

Halma is set for further increase

THE ACHIEVEMENT of "very satisfactory results" for the 26 weeks to September 29 1984, with taxable profits up by £323,000 to £1.59m, encourages Mr D. S. Barber, the chairman of Halma, to predict that the full year will see a profits record.

The second half last time added £1.78m to lift the pre-tax total for the year to £3.05m, from which the directors paid dividends totalling 1.58p net. The interim payment this time is lifted from 0.61p to 0.73p, with stated earnings per share at 3.24p against 2.37p.

The company, which manufactures safety systems, and environmental control, security, and specialised engineering equipment, produced turnover of £11.17m (£9.75m) in the period under review. At the trading level profits came out at £1.58m (£1.26m) to which interest added £8,000 (£11,000).

The directors state that the "excellent results" continue to rest on a good trading performance by UK-based companies, most of which produced record profits.

Indian interests help Williamson Tea expand to £12.8m

AS EXPECTED, a sharp increase in pre-tax profits from £4.97m to £12.81m has been produced by Williamson Tea Holdings on turnover ahead from £29.77m to £41.49m for the year to the end of June 1984.

The accounting policy in respect of stock valuation of the Indian subsidiary has been changed to comply with SSAP 9. Consequently results for 1983-84 are not comparable with the previous year, and had the previous accounting policy been applied, pre-tax profits for the year would have been £17.07m, say the directors.

Last May the Indian Government lifted its ban on export of CTC tea, but 16,000 chests of tea were detained and had to be sold in India. They forecast a "substantial increase" in profits for the year.

A geographical breakdown of profits for the period shows: India £9.77m (£4.12m); Kenya £2.07m (£556,000); Tanzania £799,000 (£203,000); and UK £159,000 (£95,000).

The single net dividend has been lifted from 15p to 20p.

The directors continue their policy of financing dividends by dividends received from subsidiaries. Retained profits of £788,075 are "substantially in excess" of the previous year, but they point out that most of this money remains in India, Kenya or Tanzania and is not available for distribution to UK shareholders.

"… will also be some time before those foreign dividends already declared for the year under review are to hand in the UK.

The directors point out that a downturn in prices could occur in a year or two if the past price pattern is repeated by supply catching up with demand.

They point out that the opportunity given by current relative prosperity has enabled the company to accelerate tea extensions, carry out further factory modernisations and other improvements, including spending large sums on new labour housing and welfare.

The present ability to plough back relatively large sums into the business will result in properties being in better shape

Zygal Dynamics incurs £182,000 loss midway

Zygal Dynamics, a USM group engaged in the sale and service of computer printers and terminals, fell to £182,000 in the red at the pre-tax level over the six months to September 30, compared with previous profits of £161,000.

Last August the directors said the group was well placed to benefit from new products in its traditional business sectors and also from continuing development of Modular Technology and Business Systems Group. They were optimistic about the current year's trading.

They say now that Modular Technology incurred a "substantial" loss as sales of existing products did not hold up as well as had been expected. They add that considerable delays were also experienced in obtaining licences for new products.

The company is operating within its banking facilities and since the start of the second half sales have continued at a similar level to the first half's. However a "significant increase" in sales is looked for in the last quarter.

Licences have now been received for the Modular Technology products and the availability of other products has improved.

Consequently, the directors expect the trading position to be considerably improved by year-end.

Turnover for the opening six months expanded from £2.16m to £2.72m and generated gross profits of £889,000 (£865,000).

Sales of the Business Systems Group were disappointing. Sales of televideo products were adversely affected by competitors and sales of Fujitsu products were affected by supply problems.

Overheads were deliberately increased in order to cope with the expected increase in sales. Steps have been taken to ensure that overheads will not increase in the second half.

BASE LENDING RATES

A.B.N. Bank	9½%	■ Hill Samuel §	9½%
Allied Irish Bank	9½%	C. Hoare & Co. †	9½%
Amro Bank	9½%	Hong Kong & Shanghai	9½%
Henry Ansbacher	9½%	Johnson Matthey Bkrs.	9½%
Armco Trust Ltd.	10½%	Knowsley & Co. Ltd.	10½%
Associates Cap. Corp.	9½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	Mallinhall Limited	10 %
Bank Hapoalim	9½%	Edward Manson & Co.	10½%
BCCI	9½%	Meghraj and Sons Ltd.	9½%
Bank of Ireland	9½%	Midland Bank	9½%
Bank of Cyprus	9½%	■ Morgan Grenfell	9½%
Bank of India	9½%	National Bk. of Kuwait	9½%
Bank of Scotland	9½%	National Girobank	9½%
Banque Belge Ltd.	9½%	National Westminster	9½%
Barclays Bank	9½%	Norwich Gen. Tst.	9½%
Beneficial Trust Ltd.	10½%	People's Tst. & Sv. Ltd.	10½%
Brit. Bank of Mid. East	9½%	R. Raphael & Sons	9½%
■ Brown Shipley	9½%	P. S. Refson	9½%
CL Bank Nederland	9½%	Roxburghe Guarantee	10 %
Canada Perm'nt Trust	9½%	Royal Bk. of Scotland	9½%
Cayzer Ltd.	9½%	Royal Trust Co. Canada	9½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	9½%
■ Charterhouse Japhet	9½%	Standard Chartered ‖	9½%
Choulartons	11 %	Trade Dev. Bank	9½%
Citibank NA	9½%	TCB	9½%
Citibank Savings ¶	10½%	Trustee Savings Bank	9½%
Clydesdale Bank	9½%	United Bank of Kuwait	9½%
C. E. Coates & Co. Ltd.	10½%	United Mizrahi Bank	9½%
Comm. Bk. N East	9½%	Westpac Banking Corp.	9½%
Consolidated Credits	9½%	Whiteaway Laidlaw	10 %
Co-operative Bank *	9½%	Williams & Glyn's	9½%
The Cyprus Popular Bk	9½%	Wintrust Secs. Ltd.	9½%
Dunbar & Co. Ltd.	9½%	Yorkshire Bank	9½%
Duncan Lawrie	9½%		
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Robert Fleming & Co.	9½%		
Robert Fraser & Ptns.	10 %		
Grindlays Bank ‡	9½%		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Heritable & Gen. Trust	9½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6.25%, 1 month 7.00%. Fixed rate 12 months £2,500 6.75% £10,000 12 months 8.00%.
† 7-day deposits on sums of under £10,000 6¾%. £10,000 up to £50,000 7¼%. £50,000 and over 8%.
‡ Call deposits £1,000 and over 6¾%.
‖ 21-day deposits over £1,000 7¾%.
§ Demand deposits 6%.
¶ Mortgage base rate.

APPOINTMENTS

Senior BSC posts

THE BRITISH STEEL CORPORATION has made the following appointments in its general steels group from January 1. Mr Brian Clayton will become commercial director, BSC plates, sections and commercial steels, and will be based at the group's headquarters at Teeton, Rotherham. Mr Duncan Robson will become general sales manager, commercial steel. Mr Jonathan Graveson is to be general sales manager, plates and Mr Jim Jaimeson will become commercial manager, marketing and planning.

★

Mr Douglas G. Badham, former deputy chairman of the Welsh Development Agency, and Mr W. Emrys Evans, recently retired senior regional director for Wales of the Midland Bank, have joined the board of ALIGN-RITE as non-executive directors. The company is a subsidiary of Align-Rite Corporation of California.

★

Mr Norman Blacker, has been appointed regional chairman of NORTH EASTERN GAS from January 15. He was director of finance at British Gas Corporation headquarters.

★

Mr Leslie Ratner, chairman of RATNERS, retires on December 31, but will continue as chairman in a non-executive capacity acting as a consultant to the group.

★

The MERCANTILE AND GENERAL REINSURANCE COMPANY has appointed as assistant general managers from January 1 Mr T. W. J. Manley (general administration) and Mr R. G. Willsmer (information services).

★

Mr Mike Alford has been appointed to the board of SOFTWARE SCIENCES.

★

Mr A. W. Passmore has been appointed a director of DISCRETIONARY UNIT FUND MANAGERS.

★

Mr John F. Phillips, president of PPP (Private Patients Plan), has been elected chairman of the management committee of the COURT OF INTERNATIONAL ARBITRATION for a period of two years.

★

Mr J. B. Roberts, Dr D. L. Speirs and Mr F. F. Picken have been appointed directors of DUNLOP ENGINEERING INTERNATIONAL, one of the newly formed world-wide operating companies of Dunlop Holdings. John Roberts becomes managing director of aviation division, David Speirs managing director of automotive division and Findley Picken managing director of National Tyre Service. In addition, Mr L. F. R. Moch, formerly vice president — international marketing, with Household International Inc, has been appointed managing director of automation division, responsible for both engineering services and engineering consultancy.

★

Mr Michael Martin has been appointed a director of CONTROL RISKS.

★

Mr Jess Tigar has been appointed to the board of RUDOLF WOLFF FINANCIAL SERVICES.

★

ARKAY METALS has appointed Mr Oliver Gillie as commercial director from January 1. The company will operate internationally trading in metals with the emphasis on refined nickel and cobalt. Arkay Metals will be jointly owned by Falconbridge, Canada, and Metdist, a ring dealing member of the London Metal Exchange.

★

BROWN, SHIPLEY & CO has appointed Mr T. Bacon and Mr C. J. Deasy as senior managers; Mr J. F. T. Baines, Mr D. A. P. Crawley, and Mr M. J. Crump as managers; and Mr P. T. C. Watters as deputy manager.

★

Mr Christopher Tracey has been appointed chairman and Mr Ian Payne managing director of SAVE & PROSPER INVESTMENT MANAGEMENT. Mr Keith Palmer, Mr Julian Tregoning and Mr Hugh Twiss have been appointed directors.

★

Mr Peter M. Barrington has retired as a director and deputy chairman of WESTMINSTER AND COUNTRY PROPERTIES. Mr Raymond J. S. Palmer, a recently appointed non-executive director has succeeded him as deputy chairman.

★

Mr Nicholas Airth Grant has been appointed chairman of DUNCAN LAWRIE in place of Mr Butterwick from January 1. Mr Butterwick will remain a director.

Businesses for Sale

International

Company Notices

Contracts and Tenders

Personal

Art Galleries

Clubs

FT LAW REPORTS

No tax relief on Barratt's trade-in properties

PAYNE (INSPECTOR OF TAXES) v BARRATT DEVELOPMENTS (LUTON) LIMITED

House of Lords (Lord Scarman, Lord Keith of Kinkel, Lord Bridge of Harwich, Lord Brandon of Oakbrook and Lord Brightman): December 13, 1984

FLATS and houses accepted by a builder in part exchange for new properties sold by him do not entitle him to stock relief from corporation tax if, in the ordinary course of his trade, he re-sells them in their existing state without development by way of construction or reconstruction.

The House of Lords so held when allowing an appeal by the Inspector of Taxes from Mr Justice Vinelott's decision that Barratt Developments (Luton) Ltd was entitled to stock relief in respect of five properties (excluding the gardens) accepted in part satisfaction of the purchase price on new houses.

* * *

Paragraph 29 of Schedule 5 to the Finance Act 1976 defines "trading stock" as "(1) property of any description . . . being either — (a) property such as is sold in the ordinary course of the trade . . . (2) Sub-paragraph (1) above does not apply to— . . . (b) land other than such as is ordinarily sold in the course of the trade . . . only (i) after being developed by the person carrying on the trade . . . (3) In sub-paragraph (2) above, references to development are references to the construction or substantial reconstruction of buildings on the land in question. . . ."

Section 3 of the Interpretation Act 1889 provides: "In every Act . . . unless the contrary intention appears. . . . The expression 'land' shall include messuages, tenements and hereditaments, houses and buildings of any tenure. . . ."

LORD KEITH said that Barratt's principal trade was the building of houses for sale.

It found that potential buyers were often inhibited because they encountered difficulty in selling their existing dwellings in order to raise the funds necessary for their intended purchases. It developed a scheme whereby it accepted customers' properties in satisfaction or part satisfaction of the purchase price on houses which they had for sale.

The properties so acquired were sold as soon as possible in their existing condition.

At the end of its accounting year to June 30 1979, Barratt had on its books five properties acquired under the scheme, namely two freehold semi-detached houses with gardens, a freehold terraced house with garden, a ground floor leasehold flat without exclusive garden rights, and a second-floor leasehold flat with no garden rights.

It claimed stock relief in respect of all five properties under section 37 and Schedule 5 to the Finance Act 1976. By virtue of paragraph 9 of that Schedule a trading company was entitled to relief against corporation tax where the value of its trading stock at the end of an accounting period exceeded its value at the beginning.

The inspector of taxes accepted that the five properties were sold in the ordinary course of Barratt's trade, but he rejected the claim on the ground that they were excluded by sub-paragraph (2) as being land other than such as was ordinarily sold only after being developed.

Barratt appealed to the special commissioners, who held it was entitled to relief except in respect of the gardens of the three freehold properties. The inspector in turn appealed to the High Court.

Mr Justice Vinelott dismissed the appeal feeling constrained, somewhat reluctantly, to follow the Scottish case, *Inland Revenue Commissioners v Clydebridge Properties* [1980] SC 68.

In that case the taxpayer company carried on the trade of buying and selling small residential flats. Its stock during the material period did not include any ground floor flats. The First Division held that the flats were trading stock not excluded by sub-paragraph (2) [of paragraph 16 of Schedule 10 to the Finance (No 2) Act 1975, corresponding to paragraph 29].

The opinion of the court was delivered by Lord Avonside. Having referred to the definition of "land" in section 3 of the Interpretation Act 1889, he said at page 72 that if it were permissible to extract the word "building" and use it as "land," then paragraph 16(2)(b) construed with paragraph 16(3), read "(2) Sub-paragraph (1) above does not apply to a building other than such as is ordinarily sold in the course of the trade only after the construction or substantial reconstruction of buildings on the building in question."

"That result," said Lord Avonside, "is plainly inoperable. It involves an intention in the Act, contrary to the application of section 3 of the 1889 Act, and that therefore the extended definition of 'land' in that Act does not apply."

It was held that the only kind of heritable property which was excluded from the definition of trading stock by sub-paragraph (2)(b) was land in a completely undeveloped state, ie such as had no building or structures on it of any kind.

Barratt supported that in the present appeal, and sought to have it applied in a corresponding situation in England. Counsel for the inspector, on the other hand, argued that the Interpretation Act definition of land was to be read into sub-paragraph (2).

The purpose of sub-paragraph (3) was to define references to development in sub-paragraph (2), and it prescribed a more limited meaning than would be applicable in a planning context.

The definition could only have relevance in connection with such species of land as were capable of being developed.

Having regard to the clear purpose of sub-paragraph (3), it could not be relied on so as to attribute a special limited meaning to "land" in (2)(b), excluding the application of the Interpretation Act. If it had been the draftsman's intention to limit the meaning of land to land which was unbuilt on, one would have expected him to say so.

Further, the references to "reconstruction of buildings on the land in question" recognised that some land which was within the ambit of sub-paragraph (2) might be land with buildings on it. Obviously the land and the buildings on it formed one hereditament. . . . The Interpretation Act did not require an artificial separation between land and a building erected on it.

For those reasons there was nothing in the context to exclude the application of the Interpretation Act definition to "land" in (2)(b), whereas the context of sub-paragraph (3) necessarily required that definition to such land as was capable of being developed by the construction or reconstruction of buildings on it.

The rule that the same word occurring more than once in an enactment should be given the same meaning wherever it occurred, was a guide which must yield to indications of contrary intention, and such an intention must necessarily be inferred in the present case.

The contrary view would require a separation of the site of a building from the building itself, with relief being available in respect of the latter, but not the former. That would involve an apportionment of value, for which no machinery was provided.

The fallacy in the reasoning in Clydebridge appeared to have been a failure to appreciate that sub-paragraph (3), in creating an exception within an exception, carved out from the generality of the meaning of "land" a particular category of land, namely, such as was capable of being developed. The case was wrongly decided and should be overruled.

The appeal should be allowed. Lord Scarman, Lord Bridge, Lord Brandon and Lord Brightman agreed.

For the Revenue: Nicholas Phillips QC and Robert Carnwath (Inland Revenue Solicitor).

For Barratt: Stephen Oliver QC and William Massey (Slaughter and May).

By Rachel Davies
Barrister

FINANCIAL TIMES
Tuesday December 18 1984

Novel pricing on DM 100m Deutsche Bank Eurobond, Page 36

WALL STREET

Rate cut hopes fuel bond rally

RATES FELL sharply in the New York credit markets yesterday when hopes of an imminent cut in the Federal Reserve's discount rate were encouraged by a drop in federal funds, the crucial inter-bank lending rate, to below 8 per cent, and by the announcement by Manufacturers Hanover that it was cutting its prime rate to 10¾ per cent. Wall Street expects the other banks to follow the lead to lower primes, and was also heartened when Bankers Trust cut its broker loan rate to 9¾ per cent, *writes Terry Byland in New York.*

Bond prices soared by more than a full point, and falling rates at the short end took the three-month T bills below 8 per cent. In the stock market, however, investors remained unsure of the outlook for the U.S. economy and for corporate profits, and prices slid lower.

The blue chip stocks opened lower, and failed to sustain attempts to rally. The market weakened in mid-afternoon when the cut in the prime rate concentrated investment attention on the credit markets, but a strong technical rally in the final half hour left prices little changed on the day. The Dow Jones industrial average closed a net 0.88 points up at 1,176.79, after touching 1,188.51 earlier. Turnover remained moderate, with 89.6m shares traded. Once again, the second line issues saw very little selling.

The filing of another class action suit in connection with the Bhopal disaster touched off a fresh wave of selling of Union Carbide stock. More than 1m shares in Carbide were traded, and the price fell $2¼ to $34. Market capitalisation of Union Carbide has fallen by more than 27 per cent since the tragedy at the Indian plant. Suits against the company now total $120bn.

The bond market opened sharply higher, with the fall in the federal funds rate strengthening the likelihood that the Fed will reduce its discount rate from the level of 8½ per cent set on November 21. The Fed's open market committee (FOMC) yesterday opened its latest policy meeting in the wake of confused signals from the U.S. economy.

There was disagreement in the credit markets on the likely stance of the Fed, with Dr Henry Kaufman leading those who believe that the board will "probably" err on the side of further stimulation for the economy, while other analysts insisted that the Fed will vigorously resist the political pressures to loosen its hold.

Bond prices slipped off their best levels at mid-morning, when the funds rate edged above 8 per cent. A renewed fall, however, took the funds rate down to 7⅞ per cent, and bond prices tuned higher again to show net gains of more than a full point.

In the stock market, IBM rose $¼ to $119. Other blue chips were mixed, while once again, the broader range of the market remained largely unchanged from pre-weekend levels.

Airline issues continued to respond strongly to the cuts in world oil prices, which will boost earnings. United Air gained $⅝ to $44⅛. Also strong were utility companies, which have led Wall Street's list of beneficiaries from interest rate falls.

The Detroit car stocks continued to improve, buoyed by the 20 per cent gain in sales. General Motors at $75⅞ added $⅝, while Ford put on $1⅜ to $44⅞.

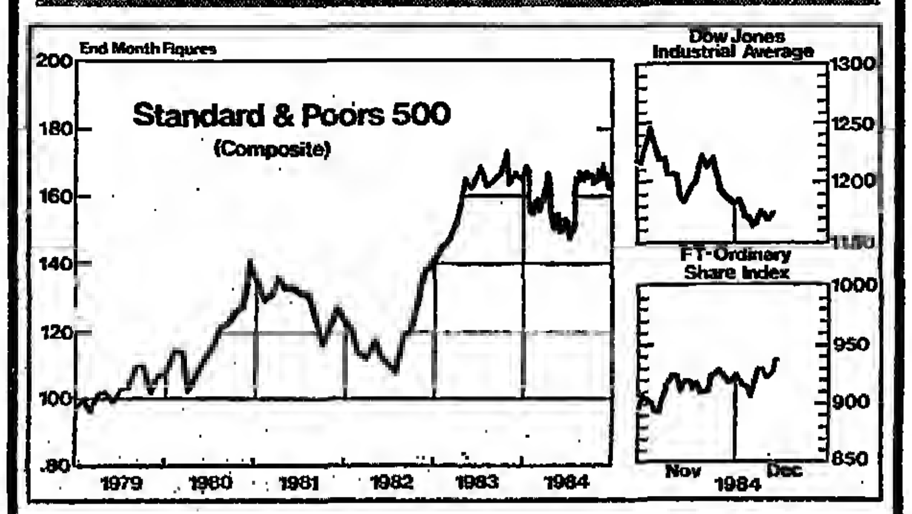
Oil stocks hung fire, awaiting the next move in crude oil prices. Phillips Petroleum, however, rose $⅛ to $54⅝ after the board said it had lined up a $5bn credit line – encouraging market hints of a leveraged buyout, or similar move to thwart Mr T. Boone Pickens.

AT&T recouped $⅜ to $18½ as recent selling eased. Some of the operating groups, spun off this year from the old Bell Telephone system, were active. Ameritech fell $⅝ to $21½ as profits were taken ahead of the year end.

In the credit market, short-term rates plunged rapidly on growing expectation of a further easing in federal reserve policies.

Turnover in the bond market increased, with some major trading firms looking for a cut in the discount rate after today's meeting of the FOMC. The key long bond closed at 102⅝, a gain of 1⅞.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Dec 17	Previous	Year ago
DJ Industrials	1,176.79	1,175.91	1,242.17
DJ Transport	539.86	534.99	590.15
DJ Utilities	145.77	144.59	131.02
S&P Composite	163.61	162.68	162.39
LONDON			
FT Ord	938.3	935.4	762.1
FT-SE 100	1,212.5	1,204.8	986.9
FT-A All-share	582.47	578.55	463.52
FT-A 500	638.65	634.14	495.40
FT Gold mines	467.7	504.0	558.2
FT-A Long gilt	10.29	10.19	10.31
TOKYO			
Nikkei-Dow	11,455.67	11,419.10	9,350.61
Tokyo SE	890.94	383.60	705.32
AUSTRALIA			
All Ord.	714.3	718.7	756.0
Metals & Mins.	401.5	408.1	549.2
AUSTRIA			
Credit Aktien	58.84	58.69	54.82
BELGIUM			
Belgian SE	157.74	157.71	133.87
CANADA			
Toronto			
Metals & Minls	1,848.7*	1,859.7	2,437.0
Composite	2,345.7*	2,345.2	2,506.7
Montreal			
Portfolio	117.31	117.09	124.01
DENMARK			
Copenhagen SE	166.94	167.20	199.26
FRANCE			
CAC Gen	180.5	180.7	148.6
Ind. Tendance	120.4	120.7	94.8
WEST GERMANY			
FAZ-Aktien	369.69	372.28	340.91
Commerzbank	1,073.2	1,077.8	1,007.9
HONG KONG			
Hang Seng	1,166.42	1,142.09	860.77
ITALY			
Banca Comm.	218.89	219.89	167.88
NETHERLANDS			
ANP-CBS Gen	179.0	178.1	147.1
ANP-CBS Ind	143.5	142.7	121.5
NORWAY			
Oslo SE	281.03	283.96	212.19
SINGAPORE			
Straits Times	802.09	804.88	983.49
SOUTH AFRICA			
Golds	n/a	947.3	841.1
Industrials	n/a	931.9	935.6
SPAIN			
Madrid SE	139.85	138.66	119.48
SWEDEN			
J & P	1,322.54	1,342.90	1,475.44
SWITZERLAND			
Swiss Bank Ind	382.8	381.9	371.6
WORLD	Dec 14	Prev	Year ago
Capital Int'l	183.2	182.5	179.4

GOLD (per ounce)

	Dec 17	Prev
London	$316.25	$322.50
Zürich	$315.00	$322.75
Paris (fixing)	$316.84	$320.60
Luxembourg	$316.25	$321.00
New York (Dec)	$314.00	$322.20

* *Latest available figure*

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Dec 17	Previous	Dec 17	Previous
$	–	–	1.191	1.193
DM	3.089	3.089	3.6875	3.7075
Yen	247.5	247.75	294.5	295.25
FFr	9.4725	9.4725	11.3075	11.3825
SwFr	2.549	2.5425	3.0375	3.0575
Guilder	3.4945	3.4975	4.1625	4.19
Lira	1,901.5	1,904.5	2,271.0	2,282.5
BFr	62.2	62.05	74.15	74.65
C$	1.32065	1.32175	1.572	1.5733

INTEREST RATES

Euro-currencies	Dec 17	Prev
(3-month offered rate)		
£	9¹³⁄₁₆	9¹³⁄₁₆
SwFr	5⅜₆	5⅛
DM	5¹¹⁄₁₆	5¹¹⁄₁₆
FFr	10¹⁵⁄₁₆	10¹⁵⁄₁₆
FT London Interbank fixing		
(offered rate)		
3-month U.S.$	9	9⅛
6-month U.S.$	9⅝₆	9⅜
U.S. Fed Funds	7⅞	8⅜
U.S. 3-month CDs	8.40	8.80
U.S. 3-month T-bills	7.94	8.13

U.S BONDS

Treasury		Dec 17*		Prev	
		Price	Yield	Price	Yield
10⅞	1986	100¹⁴⁄₃₂	10.04	100¹⁹⁄₃₂	10.15
12¼	1991	103²⁶⁄₃₂	11.41	103²²⁄₃₂	11.44
11⅝	1994	100²⁸⁄₃₂	11.48	100¹⁷⁄₃₂	11.53
11¾	2014	102⁹⁄₃₂	11.505	101²³⁄₃₂	11.54
Corporate		Dec 17*		Prev	
AT & T		Price	Yield	Price	Yield
10⅜	June 1990	95¾	11.45	95¾	11.45
3⅞	July 1990	73½	10.25	73½	10.25
8¾	May 2000	76⅝	12.18	76⅝	12.18
Xerox					
10⅞	March 1993	93⅝	11.70	93⅝	11.70
Diamond Shamrock					
10⅞	May 1993	93	11.95	93	11.95
Federated Dept Stores					
10⅞	May 2013	87⅞	12.15	87⅞	12.15
Abbot Lab					
11.80	Feb 2013	98	12.30	96	12.30
Alcoa					
12¼	Dec 2012	98	12.50	98	12.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%				
Mar	71–19	71–28	71–07	71–09
U.S. Treasury Bills (IMM)				
$1m points of 100%				
Mar	91.66	91.76	91.53	91.55
Certificates of Deposit (IMM)				
$1m points of 100%				
Mar	90.85	90.95	90.74	90.74
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Mar	90.38	90.43	90.26	90.15
20-year Notional Gilt				
£50,000 32nds of 100%				
Mar	107–31	108–11	107–31	108–14

COMMODITIES

(London)	Dec 17	Prev
Silver (spot fixing)	560.90p	550.50p
Copper (cash)	£1,105.75	£1,119.50
Coffee (Jan)	£2,241.50	£2,233.00
Oil (spot Arabian Light)	$27.475	$27.45

LONDON

Enthusiasm fades but highs hold

AN EARLY burst of enthusiasm faded during trading in London, however, many leading issues closed at all-time high peaks. The market's buoyancy, boosted last week by the possibility of rises in income tax thresholds early next year, was assisted by a survey of UK industrial trends suggesting a strong recovery in industrial orders.

ICI led the early advance following last week's acquisition of the U.S.-based Beatrice Chemicals. The shares hit a record 740p before settling at 730p, up 20p on the day. British Telecom shares were under heavy demand and closed up 1½p at 102p after reaching 103½p.

Hambro Life shares firmed 40p at 538p on news that BAT Industries had reached agreement on a takeover proposal valuing the assurance group's shares at 550p and its total worth at £664m.

The FT Ordinary index closed up 2.9 at 938.3, a record high, after having been up 6.4 at one stage during the morning. Government securities tried to edge forward but the movement stalled and finished mixed.

Chief price changes, Page 28; Details, Page 31; Share information service, Page 32–33

SOUTH AFRICA

LEADING GOLD stocks edged closer to the year's lowest levels in Johannesburg following a further weakening in international bullion markets. A rise in the country's prime lending rate added further hesitancy to trading.

Driefontein eased R1.25 to R46.50 and South Vaal R2.85 to R78.

Falls outnumbered rises among mining and financial issues, although turnover was light. Anglo American was among the heaviest losers, falling 30 cents to R21.50.

AUSTRALIA

WEAKNESS in the international gold market depressed leading resource issues in Sydney, while other sectors drifted lower amid concern that local interest rates may rise.

Falls outnumbered rises two to one, with the All Resources index 5.9 down at 444.1. Among the major losers Placer eased A$1 to A$19, Peko 20 cents to A$4.45, Poseidon 18 cents to A$2.68 and CRA 4 cents to A$4.78.

HONG KONG

INVESTORS LENT solid support to all sections of the Hong Kong market in expectation of a further rise this week after the formal signing of the Anglo-Chinese accord on the colony's future.

Despite institutional profit-taking during the afternoon a broad section of stocks closed higher, led by blue chip issues. The Hang Seng index closed 24.33 higher at 1166.63.

Hutchison Whampoa climbed 60 cents to HK$17.30

SINGAPORE

QUIET TRADING persisted in Singapore with sellers dictating the course of trading. Volume fell from 6.3m on Friday to 3.9m during a session interrupted by a power failure.

Sime Darby, the most active, closed 1 cent higher at S$1.83, while Singapore Fodder firmed 10 cents to S$1.70.

CANADA

A DEFINITIVE trend failed to emerge across all sectors during trading in Toronto, although gold stocks were singled out for selling during a quiet session among resource issues.

Montreal registered a marginally stronger tone. Banks were, however, among the most active as investors continued to reassess their prospects after the recent profit statements.

TOKYO

Quality assumes the lead

BUYING interest centred on medium-priced quality issues in Tokyo yesterday as share prices rebounded, *writes Shigeo Nishiwaki of Jiji Press.*

Drug issues such as Yamanouchi Pharmaceutical also attracted buyers, but incentive-backed issues, Pacific Metals and Iino Kaiun moved rather erratically.

The Nikkei-Dow market average gained 54.97 to 11,455.67 on volume of 289.29m shares, down from last Friday's 346.92m. Rises outpaced falls by 400 to 319 with 165 issues unchanged.

After almost two months' active trading in incentive-backed issues, investors turned their attention to blue chips. Large securities houses searched for stocks that could sustain investor interest until early next year, and bought medium-priced blue chips selectively. Investment trust management companies, planning to establish trust funds with a total asset value of about Y400bn for December, also began buying blue chips in small lots.

Individuals and corporations joined the move to seek medium-priced blue chips. Most favoured was Asahi Glass which is related to optoelectronics, biotechnology and space development. It gained Y30 to Y920, topping its previous high of Y895 recorded on Friday.

Among other optoelectronics-related issues, Nippon Sheet Glass added Y27 to Y764 and Sumitomo Electric Y17 to Y992.

Other medium-priced quality issues to gain were Hitachi Cable, up Y32 to Y989, NGK Insulators, up Y22 to Y980 and Toshiba Ceramics, up Y90 to Y1,940.

Pharmaceuticals also attracted buying interest. Yamanouchi Pharmaceutical rose Y100 to Y2,050 on improved earnings and Mochida Pharmaceutical moved up the maximum Y500 to Y10,200. Daiichi Seiyaku and Toyama Chemical firmed in sympathy, climbing Y80 to Y1,850 and Y29 to Y785, respectively.

International stocks generally gained ground in thin trading. Matsushita Electric Industrial climbed Y50 to Y1,540 on foreign small-lot buying, Mitsubishi Electric rose Y4 to Y408, and Fanuc Y250 to Y11,650.

Trading in Nippon Lace was again suspended by the Tokyo stock exchange because of doubts about the auditor report on its balance sheet for the accounting year ended last September. This caused some investors to shy away from incentive-backed issues. Iino Kaiun slipped Y27 to Y361, but Kyokuyo gained Y24 to Y264.

Elsewhere, Nippon Express topped the active list with 12.37m shares, gaining Y1 to Y358. Tokyo Electric Power also firmed Y60 to Y1,490.

The bond market was depressed in thin trading. Many institutional investors stayed on the sidelines awaiting the U.S. economic growth rate forecast for the fourth quarter, to be announced tomorrow. A large trust bank bought long-term government bonds with about nine years remaining to maturity in lots of Y10bn. This helped lower the yield on the benchmark 7.3 per cent government bond due in December 1993 to 6.580 per cent from last Saturday's 6.595 per cent.

EUROPE

Corporate news offers diversion

A TRICKLE of corporate developments provided the only source of interest yesterday in subdued European trading that saw small movements among the major bourse indices.

Frankfurt once again provided the most interest. Thyssen's return to profit and omission of its dividend gained it a 20 pfg rise to DM 172.20 while BHF Bank's DM 2.50 gain to DM 277.50 lead a broadly mixed sector.

Lufthansa continued to move within a narrow range despite the rise in its overall load factor to 67 per cent. It slipped 30 pfg to DM 179. The German group, like most other European airlines, is currently trading near its high for the year and has found renewed strength in the persistent weakness in oil prices.

Allianz, recently volatile, started the week steady at DM 965 while associate insurer Munich Re slipped DM 5 to DM 1,045.

A lack of seasonal goodwill returned to the stores sector as Horten shed DM 2.80 to DM 177.50 and Karstadt fell DM 4 to DM 280 ahead of the vital Christmas sales period.

Holzmann in constructions surrendered some of the impressive gains made last week with a DM 4.50 fall to DM 382. The Commerzbank index fell 4.4 to 1,073.2.

The absence of major investors led to a quieter bond sector as the Bundesbank sold DM 12.3m in paper compared with Friday's sales of DM 27.6m.

Despite the small overall decline in **Paris** some shares registered good gains. Matra, FFr 20 ahead at FFr 1,775, scored one of the best of the session, while Carrefour moved FFr 10 higher to FFr 1,615.

Peugeot finally succumbed to profit-taking following its gains last week, despite the contraction in the domestic car market this year. The car group edged FFr 2.10 down to FFr 248.90.

Elf, proving vulnerable to the weakness in the oil price, recouped FFr 1 of last week's losses to finish at FFr 222.

Stores group Au Printemps recovered FFr 1.50 of Friday's FFr 6.10 drop to end the day at FFr 187.50.

Medium-sized banks were firm in a mixed Zurich as Bank Leu rose SwFr 100 to SwFr 3,710 and Swiss Bank slipped SwFr 1 to SwFr 357. Ciba-Geigy, SwFr 55 up at SwFr 2,450 was actively sought while Hoffman La Roche hit a new low for the year with a SwFr 125 drop to SwFr 86,375. Landis & Gyr firmed SwFr 10 to SwFr 5,450 after last week's forecast.

Nestle's extended foray into the German foods market merited a SwFr 10 gain to SwFr 5,450, while Swissair held steady at SwFr 1,020, near its high for 1984. Bonds were mainly unchanged.

The weakness in the oil price had a dual effect in stronger Amsterdam. KLM, which stands to gain from lower fuel costs, gained Fl 1.40 to Fl 45.10 ex-scrip while Royal Dutch, seeing a threat to its profitability, slipped 90 cents to Fl 167.60.

Banks were firm with ABN gaining Fl 4.50 to Fl 358.50, its fourth consecutive rise.

Bonds were steady but still sensitive to U.S. credit policy developments. The ANP-CBS general index rose 0.9 to 179.

Chemicals regained some of their composure in a higher Brussels although oils were still, Petrofina lost BFr 20 to BFr 7,010.

The healthy recovery staged by banks in Madrid last week continued as Banco Hispano Americano rose 5 points to 177 per cent of nominal value and Banco Popular advanced 8 points to 370 per cent. Telefonica firmed 0.7 points to 92.2 per cent.

A higher Milan took most active Generali L1,730 higher up to L33,600 while Fiat crossed the L2,000 threshold for the first time since its capital restructuring with a L52 gain to L2,025.

Esselte, SKr 5 up at SKr 295, was one of the few bright spots in a dull Stockholm while Swedish Match's joint venture with Rauma-Repola of Finland was awarded a SKr 3 decline to SKr 250.

In a lower Oslo Norsk Hydro hit another low for the year with a NKr 5 fall to NKr 93 ex-all.

Closing prices, December 17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B—B—B

C—C—C

D—D—D

E—E—E

F—F—F

G—G—G

H—H—H

I—I—I

J—J—J

K—K—K

L—L—L

M—M—M

N—N—N

Continued on Page 27

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

WE REGRET American Stock Exchange closing prices were not available for this edition because of communications problems.

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
5⅝	2½	Valeyln				66	2⅝	2½	2½	
24⅛	14⅞	VanDr	.92	4.7	5	24	19½	19¼	19½	+¼
7¼	2¼	Varco				100	2½	2⅜	2½	
20½	5⅝	Varco	pf1.50j			10	6½	6¼	6¼	−⅛
58½	30¼	Varian	.26	.7	13	1049	35⅛	34⅞	35½	+⅜
15½	8½	Varo	.40	4.1	7	80	10	9¾	9⅞	+⅛
26⅞	17¼	Veeco	.32	1.7	13	132	19½	19	19	−⅜
6⅞	3⅝	Vendo				96	3½	3⅜	3⅝	
10¼	6¾	VestSe	1.20a	12		[illegible]	10¼	10⅛	10⅛	
34¼	23¼	Viacom	.42	1.3	12	68	32½	32⅛	32⅛	

Continued on Page 28

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Dec. 17	Price Sch%	+ or —
Creditanstalt	227	+1
Goesser	329	—2
Interunfall	400	+4
Laenderbank	228	+2
Perlmooser	356	+1
Steyr-Daimler	152	...
Veitscher Mag.	243	—1

BELGIUM/LUXEMBOURG

Dec. 14	Price Frs.	+ or —
B.B.L.	1,680	+10
Banq. Int. A. Lux	6,500	......
Bekaert B.	4,440	+60
Ciment CBR	2,505	+10
Cockerill	270	—1
Delhaize	5,350	—150
EBES	2,860	...
Electrobel	8,650	—50
Fabrique Nat.	2,050	......
GB Inno BM	3,175	+50
CBL (Brux)	2,090	—10
Gevaert	3,560	—25
Hoboken	8,120	—150
Intercom	2,105	—15
Kredietbank	7,870	—10
Pan Hldgs	9,800	+100
Petrofina	7,010	—20
Royale Belge	10,400	—100
Soc. Gen. Banq.	3,430	..
Soc. Gen. Belge	2,845	+15
Sofina	7,700	—50
Solvay	4,120	—45
Stanwick Intl.	1,450	+10
Traction el.	4,020	—110
UCB	5,010	+110
Wagon Lits	2,340	+5

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

Dec. 17	Price Dm.	+ or —
AEG-Telef.	108.5	—1.7
Allianz Vers.	965	...
BASF	177.3	+0.9
Bayer	186.3	+1.2
Bayer-Hypo	317	—1
Bayer-Verein	525	—0.5
BHF-Bank	277.5	+2.5
BMW	385.3	+5.3
Brown Boveri	196.5	—2
Commerzbank	187.5	+0.5
Cont'l. Gummi	112.9	+0.9
Daimler-Benz	868.8	—4.1
Degussa	341	...
D'sche Babcock	143.2	+0.2
Deutsche Bank	378	—0.8
Dresdner Bank	189	—1
GHH	147.5	—5
Hochtief	485.5	+5
Hoechst	188.6	—0.2
Hoesch Werke	96.3	—1.5
Holzmann (P)	382	—4.5
Horten	177.5	—2.6
Hussel	280	—4
Karstadt	245	—1.5
Kaufhof	225	—4
KHD	249.5	—0.5
Kloeckner	87.1	—0.4
Linde	379	+1
Lufthansa	179	—0.6
MAN	143.5	......
Mannesmann	143.3	—0.2
Mercedes Hld.	595	—15.5
Metallgesell	215.5	—0.9
Munich Rueck	1045	—8
Nixdorf	517.8	—1.8
Porsche	994	...
Preussag	248.5	—2.7
Rhein West Elect	181.8	+0.3
Rosenthal	247	—1
Schering	422.5	—1
Siemens	453	—0.5
Thyssen	79.9	—0.9
Varta	172.2	+0.9
Veba	168.5	—0.5
V.E.W.	121.7	+0.9
Verein-West.	890	—2
Volkswagen	198.8	—1.9

ITALY

Dec. 17	Price Lira	+ or —
Banca Com'le	15,900	+350
Bastogi-IRBS	150	+3
Centrale	2,173	+44
Credito Varesino	3,860	+170
Fiat	9,025	+59
Finsider	46.75	...
Generali Assicur.	33,600	+2730
Invest	2,925	......
Italcementi	65,440	+1158
La Rinascente	818	+8
Montedison	1,565	+2
Olivetti	5,750	—48
[illegible]	[illegible]	[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices December 17

[illegible]

MONTREAL

Closing prices December 17

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Applied Comp.	285	+25
BAT Inds	340	+27
BOC	266	+ 6
Fisher (A.)	98	+ 6
Garnar Booth	178	+12
Hambro Life	538	+40
ICI	730	+20
Ladbroke	257	+ 6
Lec Refriger.	320	+20
Oliver Prosp.	190	+35
Perry (H.)	89	+ 8
Redf. Nat. Glass	54	+ 9
Sale Tilney	385	+23
Siebe	472	+27
Superdr. St.	405	+ 7
United Biscuits	186	+ 7
Williamson Tea	435	+23

FALLS

Tr. 2pc IL 1996	£110½	—¾
Anglovaal	£28	— 3
BP	480	— 5
Falc. Res.	208	—12
Hill Samuel	307	— 8
Impala Platinum	910	—55
Lucas Inds.	262	— 5
Peko-Wallsend	310	—18
Randf. Ests.	£78	—4½
Southvaal	£34¾	—2¾
Vaal Reefs	£70½	— 4
Western Mining	186	— 7
Zygal Dynamics	35	—10

Continued on Page 36

NEW YORK CLOSING PRICES

Continued from Page 27

[illegible]

Indices

NEW YORK-DOW JONES

	Dec 17	Dec 14	Dec 13	Dec 12	Dec 11	High	1984 Low	1984 High	Since Compilation Low	Since Compilation
Industrials	1,176.79	1,175.81	1,188.84	1,175.13	1,178.33	1,172.26	1286.84 (8/1)	1086.57 (24/7)	1287.70 (19/11/83)	41.22 (2/7/32)
Transport	539.86	534.99	528.01	530.78	528.24	525.58	812.63 (9/1)	444.03 (25/7)	812.83 (9/1/84)	12.32 (8/7/32)
Utilities	145.77	144.59	144.34	144.80	144.54	144.54	148.39 (6/11)	122.25 (15/8)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol		95m	80m	78.71m	88.24m	61.14m	—	—	—	—

	Dec 7	Nov 30	Nov 23	Year Ago (Approx)
Ind Div Yield %	5.04	4.92	4.79	4.47

STANDARD AND POORS

	Dec 17	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	1984 High	1984 Low	Since Compilation High	Since Compilation Low
Industrials	182.41	181.52	180.57	181.58	182.31	182.85	161.48 (6/11)	167.74 (24/7)	194.84 (10/10/83)	3.62 (30/6/32)
Composite	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

New York Active Stocks

[illegible]

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 27

[illegible]

MARKET REPORT

Early strength gradually fades and equity index closes only 2.9 up at 938.3

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 26	Dec 6	Dec 7	Dec 17
Dec 10	Dec 20	Dec 21	Jan 7
Dec 24	Jan 10	Jan 11	Jan 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Leading shares faded after an early burst of strength but still closed at all-time high points in London yesterday. The market's bueyant tone, boosted last Friday by the possibility of significant rises in income tax thersholds early next year, was further assisted by the latest CBI survay of UK industrial trends. This suggested that a strong recovery in business orders had taken place since the early autumn.

Early indications were that the institutions would continue to invest selectively. A certain amount of business in blue chips was effected but interest soon tailed off and prices began to drift away from the highest levels. ICI spearheaded the early advance as the group's re-rating, following last week's acquisition of the U.S. based Beatrice Chemicals, continued. ICI hit a record 740p prior to settling a net 20 up at 730p. British Telecom made headway to 103½p but closed 1½ higher on the day at 102p.

Other equity leaders similarly went off the boil and traders began to look to Wall Street for reassurance. The latter market showed some indecision in the early trade with investors still uncertain about U.S. economic trends. London values consequently drifted easier again in the after-hours' business and the FT Ordinary share finished only 2.9 up at 938.3 after having been 8.4 higher at the first calculation.

Government securities tried to edge forward but the movement stalled and quotations finally displayed small mixed movements in each direction. Business was checked by thoughts of new funding and, at the official close, the authorities announced that £250m of Exchequer 2½ per cent 1987, £150m of Treasury 2½ per cent index-linked 2001 and £100m of Treasury 2½ per cent index-linked 2011 would be made available to the market as from today. When dealings resumed after-hours, conventional Gilts held at 3.30 pm levels but index-linked stocks were slightly easier.

Hambro Life up on bid

The recently buoyant Life Insurance sector surged forward, inspired by BATS Industries' £664m agreed bid for Hambro Life. Early gains ranged to 20 before buyers withdrew and profit-taking ensued. Closing prices levels were therfore well below the day's best. Dealings in Hambro Life were resumed at 540p, compared with the pre-suspension level of 498p and the 550p per share offer, before closing at 538p; BATS responded favourably to the group's further expansion into the financial services area and finished 27 higher on the day at 340p. Equity and Law touched 285p before closing only 3 dearer at 273p, while Pearl advanced 17 to 973p and Refuge 13 to 578p. Sun Life put on 5 to 765p, after 775p, and London and Manchester gained 12 to 657p. Legal and General slipped from 567p to end a net 5 easier on balance at 555p. Lloyds Brokers displayed no set trend. PWS International jumped 20 to 440p, but recently popular C. E. Heath slipped 8 to 545p. A dull market last week following the restructuring proposals, Allianz remained on effer at £261¼, down 6¾ points.

Hill Samuel fell 8 to 307p on fading bid hopes. Elsewhere in a drab Banking sector, Bank of Scotland rose 10 to 473p.

Among recently-issued equities, USM-quoted INSTEM attracted fresh support in a market short of stock and the close was 20 higher at 242p.

Already a few pence to the good as investors took encouragement from reports of bumper Christmas spending, Breweries were heartened further by impressive interim results from Scottish and Newcastle, which advanced 2½ to 135½p. Gains elsewhere ranged into double-figures, although some were partly the result of stock shortages. Bass rose 10 to 477p, while Grand Metropolitan, expected to reveal preliminary profits of around £340m on Thursday, improved 7 more to 320p. Greenall Whitley, 156p, and Arthur Guinness, 195p, put on 6 apiece. Among relatively subdued regionals, Belhaven hardened the turn to 40p following more-than-doubled first-half profits and the return to the interim dividend list.

Leading Buildings attracted early support and Blue Circle rose 10 to 483p, while Redland improved 4 to 288p. Reports of the construction industry's better-than-expected performance this year helped Taylor Woodrow rise 5 to 357p and left Costain 4 dearer at 348p. Elsewhere, Henderson Group drew fresh buying and gained 8 to a 1984 peak of 268p. Tilbury Group firmed 5 to 112p and Arncliffe added 3 at 49p, while Berkeley Group hardened 2 to 147p, the last-named following favourable Press comment. Among Timbers, Meyer International were a firm market at 129p, up 3, but May and Hassell closed a penny cheaper at 99p, after 97p, following slightly disappointing interim results.

Chemicals made a bright showing in the wake of ICI's fresh surge. Laporte rose 7 to 392p and Allied Colloids the same amount to 227p. Renewed demand in a market short of stock lifted Coalite 5 to 220p, while Hickson International hardened a similar amount to 435p. Press mention stimulated interest in Blagden Industries, 6 up at 132p.

Bentalls better

Stores continued to shine on hopes that the current buoyant level of consumer spending would carry over into the New Year. Habitat rose 6 to 402p and Gussies "A" improved 3 further to 683p, while British Home hardened a couple of pence to 277p. Demand ahead of Thursday's interim figures left Superdrug 7 to the good at 405p, while J. Hepworth gained the same amount to 465p following Press comment. An investment recommendation also encouraged support of Bentalls, which advanced 5 to 69p. Liberty, 380p, and S. Simpson "A," 220p, rose 20 and 15 respectively, both in thin markets, while Austin Reed "A" added 8 at 106p. Combined English improved 4 to 90p and Ward White 6 to 182p. Among Shoe and leather issues, Garner Booth put on 12 to 178p in response to Press mention.

Leading Engineers were rarely altered, although GKN edged 3 higher to 191p. Occasional movements elsewhere included Whessoe, a couple of pence dearer at 88p, after 90p; the lower annual profits were counteracted by the forecast of better results in the current period. Press mention prompted a rise of 4 to 166p in Glynwed, while Westland hardened 2 to 137p awaiting tomorrow's preliminary figures. Sporadic demand lifted McKechnie 5 to 126p.

Interest in the Electrical sector centred mainly on secondary issues. Zygal Dynamics dipped 10 to 35p on the half-year loss, but favourable weekend Press mention directed further buying attention to Dubilier, which advanced 8 to 200p. Powerline improved 5 more to 260p for a similar reason. Lec Refrigeration stood out with a rise of 20 to 320p on demand in a restricted market, while Crystalate firmed 5 to 275p awaiting tomorrow's preliminary figures. Cable and Wireless rose 7 to 445p and UEI 8 to 172p.

Food Retailers continued to attract selective support and Argyll rose 4 afresh to 258p, while J. Sainsbury hardened a couple of pence to 296p. Albert Fisher put on 6 to 98p on speculative buying. Elsewhere, United Biscuits gained 7 to 186p on U.S. bid hopes, but Pyke Holdings encountered profit-taking following the annual results and the close was a net 7 off at 275p. Fresh fruit concern Glass Glover moved up 7 to 270p in a restricted market, while USM-quoted Bio-Isolates revived and firmed 5 to 45p.

Among Hotels, Press comment helped Ladbroke rise 8 afresh to 257p. Comfort International, in receipt of a bid from the former, hardened a penny to 89p. Queens Moat Houses, a rising market recently on takeover hopes, were unchanged at 59p; the Kuwait Investment Office has increased its stake to 7.4 per cent.

Siebe feature

Several good features developed in the miscellaneous industrial sector with Siebe outstanding at 472p, up 27, in response to good half-year results. Redfearn National Glass, reflecting the sharply reduced annual loss, put on 9 to 54p, while Press mention directed buying attention towards Applied Computer, 25 up at 285p. Continued demand in a difficult market left Sale Tilney 23 higher at 385p. Diploma rose 12 to 480p and Smiths Industries managed a fresh rise of 8 at 878p. LCP hardened a few pence to 100p following a newsletter recommendation. Powell Duffryn ran back 15 to 405p, compared with just over 386p per share from Hanson Trust. Weekend comment on the bid situation prompted selling of Johnson Group Cleaners which closed 12 down at 428p, while profit-taking clipped 6 from VW Thermax at 130p. Among the leaders, BOC firmed 6 to 266p in response to the encouraging tenor of the chairman's annual statement.

Among Leisure issues, Press comment prompted a sudden burst of activity in Intervision which touched 13p prior to closing a net 3 up at 11p. In contrast, Howard and Wyndhams issues lacked support, the Ordinary falling 2½ to 6½p and the "A" settling ½ cheaper at 4½p.

The chairman's uninspiring address at the agm unsettled Lucas Industries late and the shares slipped from 273p to 260p before closing 5 down on balance at 263p. Elsewhere in Motors, Harold Perry jumped 8 to 89p following news of the sale of a leasing subsidiary.

Properties gave a generally firm performance, but the leaders settled a shade below the best. Land Securities touched a 1984 peak of 314p prior to closing 4 dearer on balance at 314p. Hammerson "A" rose 15 to 510p, while Stock Conversion finished 5 dearer at 425p, after 427p, following satisfactory interim results. Elsewhere, Speyhawk put on 5 to 172p in reply to good annual results, but Mayfair and City Properties slipped 2 to 117p ahead of Thursday's interim statement.

Textiles passed a quietly firm session. Courtaulds hardened a couple of pence to 124p, after 125p, while Dawson International put on 6 at 266p. Bulmer and Lumb rose 3 to 74p as did Atkins Brothers to 98p.

Although overshadowed by the strength of Bats, Imps moved up 2 to 178p and Rothmans International added 4 at 165p in Tobaccos.

Investment Trusts closed firmer throughout. Alva, 235p, and Fashion and General, 330p, rose 10 apiece, while New Court added 7 at 357p and Alliance improved 8 to 583p. Among Financials, M. and G. rose 15 at 697p.

Oils ease late

Oils made a subdued showing awaiting tomorrow's OPEC meeting called to discuss price differentials; the leaders, dull on Friday, edged into higher ground initially but subsequently fell back as reports began to circulate that OPEC was not yet close to an agreement. British Petroleum settled 5 cheaper at 480p, while Shell relinquished an early gain of a few pence to close unchanged at 635p. Takeover candidate Burmah Oil moved up to 239p prior to closing unchanged at 233p. Britoil were a firm market initially on Press suggestions of a major gas find on North Sea block 48/11b, but the close was only 2 dearer at 205p, after 210p. Elsewhere, "take profits" advice clipped 12 from recent high flyer Falcon Resources at 203p, but North Sea drilling hopes helped Sun (UK) rise 5 to 168p, after 170p. Among Irish explorers, Oliver Prospecting regained the limelight; speculative demand ahead of a Celtic Sea drilling report, due on Friday, lifted the price to 200p before the close of a net 35 up at 190p. Atlantic Resources improved 4 to 88p, but Eglinton lacked support and fell 6 to 57p.

Williamson Tea jumped 23 to 433p on news of the bumper annual profits.

Heavy falls in Golds

Substantial selling of bullion in international markets undermined sentiment throughout mining markets and prompted heavy price losses across the board. Gold slumped to $315.00 an ounce at the London afternoon fixing before rallying slightly to finish a net $6.25 lower at $316.25 an ounce — the lowest since July 8, 1982.

South African Golds opened on a weak note, reflecting the Rand's continuing poor performance against the dollar. Sporadic support of top-quality stocks from Swiss and German sources stimulated a minor rally, but the absence of any concerted follow-through demand left most at around the day's lowest levels.

Falls among Heavyweight Golds ranged to over 4 points. Randfontein gave up 4¼ to £76, while Vaal Reefs shed a similar amount at £70½. Losses of over 2 points were noted in Southvaal, £34¼, President Steyn, £23¼, and Winkelhaak, £27⅛. The more marginal counters were also friendless with Grootvlei 63 lower at 703p and Marievale 17 cheaper at 162p. The FT Gold Mines index dipped 36.3 to 467.7 —the lowest level for over 13 months.

Financial issues were also affected. De Beers eased 10 to 360p, while "Anamint" fell 1½ to £37. "Amgold," £71½, Anglovaal, £28 and Johnnies, £78, all eased a few points, but London-domiciled issues were more resilient. Hampton Areas fell 5 to a 1984 low of 155p following the interim results.

The pressure on bullion coupled with the rising trend in domestic interest rates resulted in widespread falls among Australians. Leading diversified issues showed the largest losses with Peko-Wallsend 16 off at 310p and Western Mining 7 lower at 188p. Golds displayed falls of 10 in Poseidon, 188p, and in Gold Mines of Kalgoorlie, 390p, while Whim Creek shed 6 to 150p and Metana lost 8 to 140p.

Total contracts struck in Traded Options amounted to 7,225 comprising 5,763 calls and 1,462 puts. Last week's daily average was 5,884. The FT-SE 100 accounted for 563 calls and 462 puts. British Telecom continued to attract a lively business with 2,111 calls transacted.

FINANCIAL TIMES STOCK INDICES

	Dec. 17	Dec. 14	Dec. 13	Dec. 12	Dec. 11	Dec. 10	year ago
Government Secs	82.50	82.34	82.58	82.91	83.15	83.29	82.64
Fixed Interest	85.78	85.79	85.86	86.09	86.12	86.11	85.96
Ordinary	938.3	935.4	927.6	922.5	930.1	930.3	782.1
Gold Mines	467.7	504.0	517.5	531.6	529.8	532.3	556.3
Ord. Div. Yield	4.59	4.61	4.64	4.66	4.62	4.63	4.63
Earnings, Yld.% (full)	11.53	11.57	11.76	11.88	11.80	11.83	8.43
P/E Ratio (net) (*)	10.52	10.39	10.61	10.10	10.17	10.15	12.84
Total bargains (Est.)	27,343	27,931	29,456	32,522	31,221	34,862	19,920
Equity turnover £m.	—	435.93	553.94	571.29	402.72	352.32	170.36
Equity bargains	—	33,894	37,595	44,106	41,200	25,159	15,064
Shares traded (mil)	—	246.5	334.4	239.4	266.6	218.8	124.5

10 am 943.9, 11 am 943.4, Noon 941.7, 1 pm 941.0, 2 pm 940.4, 3 pm 940.1.

Basis 100 Govt. Secs. 15/1/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974.

Latest Index: 01-246 8026.

* Nil=9.98.

HIGHS AND LOWS — S.E. ACTIVITY

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low		Dec. 14	Dec. 13
Govt. Secs.	83.77 (9/1)	75.73 (30/7)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	137.7	127.6
Fixed Int.	87.48 (14/5)	80.45 (30/7)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	218.6	243.6
					Value	883.1	715.4
Ordinary	938.3 (17/12)	755.5 (23/7)	938.3 (17/12/84)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	134.6	134.1
Gold Mines	711.7 (9/3)	467.7 (17/12)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	257.5	228.7
					Value	776.9	786.7

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Dec 17 1984 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri Dec 14 Index No.	Thur Dec 13 Index No.	Wed Dec 12 Index No.	Tues Dec 11 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (205)	552.59	+0.2	[illegible]	[illegible]	[illegible]	551.29	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (189)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (89)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (118)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (741)	582.47	+0.7	—	[illegible]	—	578.55	574.73	572.59	574.96	463.52
FT-SE 100 SHARE INDEX	1212.5	+7.7	1217.6	1212.2	—	1204.8	1196.7	1190.7	1198.6	—

(For the FT-SE 100 row the column heads read: Index No., Day's Change, Day's High, Day's Low.)

FIXED INTEREST

PRICE INDICES	Mon Dec 17	Day's change %	Fri Dec 14	xd adj. today	xd adj. 1984 to date
British Government					
1 5 years	118.24	-0.04	118.55	0.26	11.20
2 5-15 years	129.92	-0.02	130.97	1.82	14.09
3 Over 15 years	137.67	+0.11	139.90	1.39	14.57
4 Irredeemables	149.87	-0.24	150.24	—	13.57
5 All stocks	128.78	-0.01	129.58	0.79	13.25
6 Debentures & Loans	118.22	-0.11	118.34	—	11.89
7 Preference	77.83	-0.06	77.87	—	6.59

AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 17	Fri Dec 14	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.40	10.40	9.42
2	15 years	10.39	10.37	10.07
3	25 years	9.96	9.97	9.95
4 Medium Coupons	5 years	11.11	11.07	10.13
5	15 years	11.03	11.03	10.55
6	25 years	10.77	10.78	10.51
7 High Coupons	5 years	11.20	11.16	10.43
8	15 years	11.19	11.14	11.17
9	25 years	10.80	10.80	10.67
10 Irredeemables		10.29	10.29	10.24
11 Debs & Loans	5 years	11.97	11.33	11.62
12	15 years	11.97	11.93	11.62
13	25 years	11.48	11.44	11.62
14 Preference		12.64	12.61	12.30

BRITISH GOVERNMENT INDEX-LINKED STOCKS

8 All stocks	110.53	-0.17	110.69	—	2.63	15 Inflation rate 5%	3.28	3.26	3.14
						16 Inflation rate 10%	3.08	3.07	2.96

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (240)

FOREIGN BONDS (1), AMERICANS (1), CANADIANS (3), BANKS (4), BREWERS (4), BUILDINGS (5), CHEMICALS (7), STORES (21), ELECTRICALS (11), ENGINEERING (18), FOODS (10), HOTELS (4), INDUSTRIALS (29), INSURANCE (11), MOTORS (3), NEWSPAPERS (1), PAPER (7), PROPERTY (21), SHIPPING (1), SHOES (1), TEXTILES (4), TOBACCOS (1), TRUSTS (69), PLANTATIONS (1)

NEW LOWS (48)

BRITISH FUNDS (1): Intnl Corona Re. ELECTRICALS (2): CPU Computers, Zygal Dynamics. INDUSTRIALS (3): Berger, Ramco Oil, Dominion Intnl, Shires Ware. Grampian Int. MOTORS (1): Bramall (C. D.). NEWSPAPERS (1): Portsmouth & Sund. TEXTILES (1): Palma. OILS (4): Global Nat Res, Magnet Metal, Hudson Petrim, Intnl Northern Petroleum. MINES (32)

RISES AND FALLS

	Rises	Falls	Same
British Funds	20	55	29
Corpns, Dom. and Foreign Bonds	19	9	45
Industrials	420	181	827
Fin. and Props.	207	33	303
Oils	14	36	77
Plantations	5	3	11
Mines	7	110	60
Others	75	53	69
Totals	767	480	1,421

RECENT ISSUES

EQUITIES

Table of recent equity issues (Issue price, Amount paid up, Latest renunc. date, 1984 High, Low, Stock, Closing price, +or−, Net dividend, Times covered, Gross yield, P/E ratio): [illegible]

Stocks listed include: Aberdeen Amp Pet, Access Satellite, Breakmate, British Telecom, CVD Inc, Candover Inv, Craton Lodge, Gaskell, Health Care Srvic's, INSTEM, Klark-Teknik, Monument Oil, P.A.M. Int'l, Pall Corp., Penny & Giles Intl, Second Market Inv., Share Drug, Sumit Hldgs, Wardle Storeys, Williams Hldgs.

FIXED INTEREST STOCKS

Table of recent fixed interest issues (Issue price, Amount paid up, Latest renunc. date, 1984 High, Low, Stock, Closing price, +or−): [illegible]

Stocks listed include: Aberfoyle, African Dev. Bank, Automated Sec., Comm Bk of Wales, Elswick Hopper, Estate Prop. Inv., Folkestone Water, Cable Hse. Prop., Gartmore Amer., Glasgow Stock, Intl. Am. Dev. Bk., Intl. Bk Recon, Johnson Matthey, Lon. Shop Prop., Lowland Inv., McCarthy & Stone, Nationwide Bldg. Soc., Normans Grp., Peel, Plant & Gen., Racal Elect., Sunlid & Sth. Shields, Sweden.

"RIGHTS" OFFERS

Table of rights offers (Issue price, Amount paid up, Latest renunc. date, 1984 High, Low, Stock, Closing price, +or−): [illegible]

Stocks listed include: Amalgamated Estates, Attwoods, Birmingham Mint, Carr's Milling, Eponn Equip., Jacks Wm., Lilleshall Units, Marshalls Halifax, Nolts Brick, Stavely Romana R.V., Tops Ests, Johnson Inv., Trafalgar, Franwood.

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. † Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ▪ Introduction. ★ Unlisted Securities Market. ‡ Placing price. † Figures assumed. † Official London Listing. ‡‡ Dealt in under Rule 535(3).

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Dec 17	Jan 4	Mar 21	Apr 1
Jan 7	Jan 18	Apr 11	Apr 22
Jan 21	Feb 1	Apr 25	May 7

For rate indications see end of Share Information Service

Increased demand for Options resulted in calls being done in Sun Oil Royalties, British Telecom, Oliver Prospecting, Combined Technologies, Heleoe of London, Eglinton Oil and Gas, Munton Bros, Beatson Clark, Commercial Union, Polly Peck, North Kalgurli, Inter-City, Powell Duffryn, Phoenix Oil, Falcon Resources, Arthur Guinness, Albert Fisher and Gestetner A. A put was taken out in Centreway Industries, while doubles were transacted in TI, Atlantic Resources and Sun Oil Royalties.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Industries	340	+27
BOC	266	+6
Britannic Assurance	583	—
BP	480	−5
British Telecom	102	+1½
Equity and Law	273	+3
Heath (C. E.)	545	−8
ICI	730	+20
Lucas Industries	263	−5
Pearl Assurance	973	+17
Powell Duffryn	405	+15
Sun Life	765	+5

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
ICI	29	710	+22
British Telecom	28	100½	+2
Powell Duffryn	20	420	+80
Grand Met.	16	313	+11
Woolworth	15	455	+10
BAT Industries	13	311	+1
Bass	13	457	+15
Candover Invs.	13	178	—
Metal Box	13	378	−4
GUS "A"	11	680	+15
Pilkington Br.	11	288	+2
BTR	11	535	+2
Burmah Oil	11	235	+8
Dixons	11	510	+35

EUROPEAN OPTIONS EXCHANGE

Table of series (Gold C/P, Silver C/P, $/FL C/P, ABN, AKZO, AH, AMRO, GIST, HEIN, HOOG, KLM, NEDL, NATN, PETR, PHIL, RD, UNIL) with Feb., May, Aug. Vol./Last and Stock: [illegible]

TOTAL VOLUME IN CONTRACTS: 16,075.

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Tables of calls and puts (Jan., Apr., Jly. / Feb., May, Aug. / Dec., Mar., June) for B.P., Cons. Gold, Courtaulds, Com. Union, C.E.G., Grand Met., I.C.I., Land Sec., Marks & Sp., Shell Trans., Trafalgar Hs., BAT Inds., Barclays, Bt. Telecom, Imperial Gp., LASMO, Lonrho, P. & O., Racal, R.T.Z., Vaal Reefs, Beecham, Boots, De Beers, Guest Keen, Hanson, Jaguar, Tesco, FT SE Index: [illegible]

Dec. 17. Total contracts 7,225. Calls 5,763. Puts 1,462.
* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
105[illegible]	100[illegible]	Treas. 15pc 1985	100[illegible]	−[illegible]	14.88	9.53
102[illegible]	100	Exch. 12pc Cnv. '85	100[illegible]	....	11.94	9.80
97[illegible]	93[illegible]	Treas 3pc 1985	97[illegible]	....	3.09	9.64
102[illegible]	99½	Treas 11¼pc 1985	101[illegible]	+[illegible]	11.38	9.71
99[illegible]	96[illegible]	Treas 8¼pcCnv '85	99[illegible]	+[illegible]	8.82	10.12
104[illegible]	99[illegible]	Exch. 12¼pc 1985	101[illegible]	+[illegible]	12.01	9.94
103[illegible]	99[illegible]	Exch. 11½pc '86	101[illegible]	.....	11.56	10.16
102[illegible]	96[illegible]	Treas. 10pcCnv 1986	99[illegible]	...	10.04	10.27
93[illegible]	88[illegible]	Treas 3pc 1986	93	..	3.22	8.33
102	96[illegible]	Exch. 10½pc Cv '86	100[illegible]	.....	10.47	10.31
104[illegible]	99[illegible]	Treas 12pc 1986	102[illegible]	....	11.76	10.47
98[illegible]	93½	Treas 8½pc 1984-86‡‡	97½	..	8.73	10.41
108[illegible]	102[illegible]	Exch. 14pc 1986	105[illegible]	−[illegible]	13.26	10.59
89[illegible]	85	Exch. 2½pc 1986	89	...	2.81	8.83
107[illegible]	100[illegible]	Exch. 13¼pc 1987	104[illegible]xd	−⅛	12.65	10.71
100[illegible]	94½	Treas 10¼pcCv '87	99	−[illegible]	10.35	10.73
87[illegible]	83[illegible]	Exch 2½pc 1987	87½	....	2.86	8.90
101[illegible]	94½	Exch. 10½pc 1987	99½	−[illegible]	10.55	10.71
92[illegible]	87	Funding 6½pc '85-87‡‡	92	−⅛	7.07	10.39
99[illegible]	92[illegible]	Treas. 10pc 1987	98½	−[illegible]	10.15	10.71
86[illegible]	81[illegible]	Treas 3pc 1987	86¼	+[illegible]	3.48	9.14
105	97[illegible]	Treas. 12pc 1987	102[illegible]	−⅛	11.66	10.74
94[illegible]	87[illegible]	Treas 7¾pc 1985-88‡‡	92[illegible]	+[illegible]	8.35	10.49
100[illegible]	92[illegible]	Exch 10½pc '88	99[illegible]	−[illegible]	10.60	10.86
98[illegible]	89[illegible]	Treas 9½pc Cv '88	96[illegible]	−[illegible]	10.07	10.87
82[illegible]	77	Transport 3pc '78-88	82	+⅛	3.66	9.07
96[illegible]	88[illegible]	Treas. 9½pc '88	95½	−⅛	9.95	10.94
106[illegible]	94[illegible]	Treas 11½pc 1989	101[illegible]	−[illegible]	11.32	10.99
96[illegible]	87[illegible]	Treas 9½pc Cnv. '89	95½	−[illegible]	9.95	10.81
99[illegible]	90[illegible]	Treas 10½pc 1989	98[illegible]	−[illegible]	10.67	10.97
100[illegible]	88[illegible]	Exch 10pc 1989	96[illegible]	−[illegible]	10.41	11.10
101[illegible]	94[illegible]	Exch 11pc 1989	99[illegible]	−[illegible]	11.03	11.05
85[illegible]	77½	Treas 5pc 1986-89	83[illegible]	+⅛	6.11	9.80

Five to Fifteen Years

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	100[illegible]	Treas 13pc 1990‡‡	106½xd	−⅛	12.09	11.05
[illegible]	100[illegible]	Exch. 12½pc 1990	108[illegible]	−⅛	11.87	11.14
[illegible]	84[illegible]	Treas 8¼pc 1987-90‡‡	90[illegible]	.....	9.09	10.50
[illegible]	90[illegible]	Treas. 10pcCv 1990	96[illegible]	−⅛	10.50	11.11
[illegible]	94[illegible]	Treas 11¾pc 1991	101½xd	−⅛	11.49	11.24
[illegible]	75[illegible]	Funding 5¾pc '87-91‡‡	83	.....	7.03	9.66
[illegible]	93[illegible]	Exch. 11pc 1991	100[illegible]	−⅛	11.08	11.15
[illegible]	98[illegible]	Treas 12¾pc 1992‡‡	106½xd	−⅛	11.84	11.16
[illegible]	86	Treas 10pc 1992	98[illegible]	....	11.54	11.03
101	94[illegible]	Treas 10½pc Cv 1992‡‡	100	...	10.80	11.03
11[illegible]	95[illegible]	Exch. 12¼pc '92	108[illegible]	....	11.69	11.29
11[illegible]	106[illegible]	Exch 13½pc 1992	113[illegible]	−⅛	12.20	11.38
[illegible]	98[illegible]	Treas 12½pc 1993‡‡	105[illegible]xd	−⅛	11.70	11.26
79[illegible]	71[illegible]	Funding 6pc 1993‡‡	78[illegible]	...	7.77	9.96
121[illegible]	106[illegible]	Treas 13¾pc 1993‡‡	114½	−⅛	12.11	11.29
126[illegible]	108[illegible]	Treas 14½pc 1994‡‡	123[illegible]	−¼	12.20	11.17
120[illegible]	106	Exch 13½pc 1994	114[illegible]	−¼	12.02	11.32
114[illegible]	96[illegible]	Exch. 12½pc 1994	111[illegible]	−⅛	11.67	11.27
94½	82[illegible]	Treas 9pc 1994‡‡	90[illegible]	−⅛	10.07	10.77
110[illegible]	94[illegible]	Treas 12pc 1995	108[illegible]	......	11.33	11.29
64[illegible]	58[illegible]	Gas 3pc '90-95	64[illegible]	..	4.70	8.25
100[illegible]	85	Exch. 10¼pc 1995	94xd	−¼	10.80	11.09
117[illegible]	102[illegible]	Treas 12¾pc 1995‡‡	111	+⅛	11.61	11.36
124[illegible]	106[illegible]	Treas. 14pc '96	115¾xd	...	11.96	11.28
94[illegible]	83½	Treas 9pc 1992-96‡‡	91[illegible]	−⅛	10.13	10.73
134[illegible]	118[illegible]	Treas 15¼pc 1996‡‡	126[illegible]	....	12.20	11.29
122[illegible]	106½	Exch 13¼pc 1996‡‡	115	+⅛	11.64	11.09
69[illegible]	63[illegible]	Redemption 3pc 1986-96	69[illegible]	+⅛	4.37	6.92
121[illegible]	104½	Treas 13¼pc 1997‡‡	113[illegible]xd	−¼	11.57	11.06
104½	87[illegible]	Exch 10½pc 1997	100[illegible]	−⅛	10.83	10.94
92½	77½	Treas 8¾pc 1997‡‡	88¼	−¼	10.16	10.77
134[illegible]	118[illegible]	Exch. 15pc 1997	127	....	12.01	11.28
98[illegible]	84½	Exch. 9¼pc 1998	91[illegible]xd	+⅛	10.54	10.85
60[illegible]	59½	Ex 9¼pc '98A (£60pd)●	59[illegible]	+[illegible]	10.51	10.79
78	68	Treas 6¾pc 1995-98‡‡	79	−⅛	9.23	10.54
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP AND LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
30	20	Martin-Black	22	.....	—	—	—	—
£108	£87	Wilkinsons 7¾%	£89	.....	Q7¾%	2.3	9.1	—
304	287	Metal Box £1	304	+6	15.0	3.2	5.6	6.2
220	129	Metal Closures	158	.....	6.3	2.3	5.7	(8.8)
27	12	Metal Sciences 2½p	15	+1	—	—	—	—
19	8	Metamec Jentique	8½	.....	0.01	—	—	—
133	83	Midland Marts	90	.....	4.0	1.0	6.5	11.4
70	45	Mitchell Cotts	66	+1	4.0	1.5	8.4	9.7
29	13	Molen Grp 1p	15	.....	0.5	2.5	4.8	(9.5)
184	132	Morgan Crucible	184	+1	7.5	1.2	5.8	(18.6)
18½	3½	Morris (W) Fine Arts	13½	.....	0.25	4.0	2.6	12.4
110	80	Moss (Robt.) 10p	100	.....	2.5	2.5	3.6	14.5
330	197	MMW Computers	282	+3	6.0	3.0	3.0	15.7
65	40	Nash Inds.	40	.....	4.0	2.2	14.3	4.6
47	30	Neil & Spencer 10p	39	.....	—	—	—	16.8
33	13	Newman Industries	20	.....	—	—	—	(11.3)
31	16½	Do. 10pc Cn.Cw.Pf.	20½	.....	10%	—	7.0	—
67	39	Nolton	46	+3	1.4	4.5	3.4	7.7
183	132	Norcros	170	+1	7.5	2.4	6.4	8.8
86	55	Nu-Swift 5p	58	+1	2.4	3.2	3.9	7.6
100	50	Oakwood Grp.	78	.....	6.5	—	‡	—
190	135	Office & Elect	145	+5	5.24	4.2	5.2	6.7
107	92	Oldacre 20p	107	.....	4.0	2.6	5.3	9.5
875	650	Oriflame Intl SA	650	.....	053c	2.2	6.8	6.7
46	38	Ovenstone 12½c	18	–2	4.5c	2.2	‡	4.1
£154½	£120	Ozalid 9pc Cnv 87-92	£154	.....	Q9%	—	5.9	—
190	115	PCT Grp 10p	115	.....	4.8	2.9	5.8	7.0
£12½	975	PLM 'B' Sk 25	£11	.....	Q20%	3.2	4.2	7.4
62	40	Pacific Sales 10p	58	.....	2.4	2.2	5.9	(8.8)
207	148	Parker Knoll 'A'	166	.....	9.0	2.8	7.7	6.5
265	197	Pauls	213	–7	8.5	2.5	5.7	9.4
590	403	Pearson	567	+2	14.0	3.8	3.5	11.3
35	18	Peek Holdings	27	.....	—	—	—	—
107	89	Peerless	92	.....	6.3	1.4	9.8	9.3
265	55	Pentland 10p	258	+3	1.74	4.1	1.0	27.4
31	17	Pentos 10p	30	.....	B-	—	—	53.1
63	27	Phillips Patents	56	+2	1.25	—	3.2	—
£10⅝	545	Photo-Me 50p	£10½	.....	9.45	6.6	1.0	14.6
350	222	Pilkington Br. £1	285	–3	12.5	2.9	6.4	5.9

LEISURE—Continued

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
46	9	Nimslo Int 20c	20	.....	—	—	—
31½	14½	Owners Abroad	18½	+½	0.75	6.1	5.8
66	33	Pholax (Lon.)	46	.....	—	—	—
29½	20	P'olly Radio NV 5p	23½	.....	1.87	♦	11.9
130	57	Pineapple Dnc St 10p	72	+2	1.5	♦	3.0
420	285	Pleasurama 5p	382	+4	6.5	4.7	2.4
17½	10½	Pres Entertain 10p	17	.....	0.02	2.0	0.2
158	62	Radio City 'A' NV	65	–2	5.6	♦	12.3
70	50	Radio Clyde N/V	55	.....	3.25	♦	7.8
148	10	Riley Leisure 10p	38	+1	4.2	2.4	‡
142	94	Saga Hols. 20p	141	–1	3.75	1.6	3.0
580	145	Samuelson Grp £1	550	.....	6.65	3.6	1.7
27½	18	Sangers Photo 10p	26	.....	1.25	1.8	6.9
150	138	Scanro 50p	138	.....	3.68	2.2	3.8
190	98	Scott. TV 'A' 10p	164	.....	8.1	2.9	7.1
415	186	SeaCo (nc 30.125	336	+34	—	—	—
35	10	Select TV 10p	18	.....	—	—	—
145	122	Spectrum 5p	142	.....	2.0	4.8	2.0
37	24	TSW 5p	32½	.....	1.5	♦	6.6
157	29	TVS N/Vtg 10p	133	.....	5.0	♦	5.5
142½	102½	Television Svcs 50p	130	.....	1.5	4.2	1.6
90	60	Tottenham Hotspur	74	.....	2.3	1.6	8.0
172	120	Trid'nt TV 'A' 10p	167	+1	5.5	1.0	4.7
173	95	21st Century Dist	105	+10	—	—	—
197	135	Tyne Tees TV 'A' £1	169	.....	10.5	♦	9.1
101	53½	Ulster TV N/V 'A'	94	.....	4.75	♦	7.2
28	17	Webb (Jos.) 5p	26	+1	0.51	1.0	2.8
98	88	Zetters 5p	91	.....	3.25	3.0	5.3

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
76	33	BL 50p	39	–1	—	—	—
325	227	Gen. Mts. Units	325	.....	Q12c	—	3.0
460	294	Honda Motor Y50	427	+14	Q23%	8.6	0.9
223	170	Jaguar	217	–1	7.75	2.8	3.9
85	54	Lotus Car 10p	71	.....	—	—	—
47	20	Reliant Motor 10p	41	+3	—	—	—

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
200	145	Falcon Z50c	160	.....	Q100c	♦	36.4
17	8	Wankie Col. Z$1	12	.....	—	—	—
21	14	Zam.Cpr SBD0.24	14½	–¼	—	—	—

Australians

1984 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
55	23	ACM 50c	47	–1	—	—	—
38	17	Aberfoyle Exp'n. NL	23	–1	—	—	—

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

"Recent Issues" and "Rights" Page 27

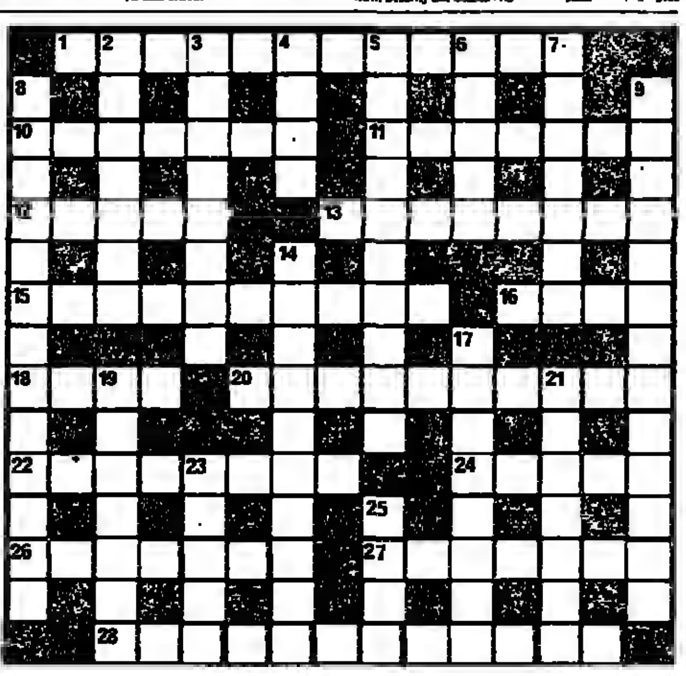
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE NO. 5,598



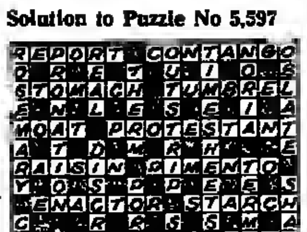
ACROSS

1 Unstable gambling den? (5, 2, 5)
10 Eccentric, old and bald perhaps (7)
11 Real reform that is right before time (7)
12 They join the course (5)
13 Light entertainment to repeat all over the place (8)
15 Wealth is about to provide security for a girl in a nursery story (10)
16 Thought I'd get an early start (4)
18 They look round for bears without fear (4)
20 Unusual task a bored youngster may busy himself with (10)
22 Makes progress on borrowed money (8)
24 Girl from the manor (5)
26 Rise to show appreciation (5, 2)
27 Design on a side plate (7)
28 Assortment of cigars there's to be found in every tobacconist's shop (4-8)

DOWN

2 A number makiog a noise in an examination (7)
3 Contradictory orders to the yachtsman for more canvas (8)
4 Slow moving birds (4)
5 Inexpensive fish will suit *him!* (10)
6 Two kings embracing are not seen so often (5)
7 Pompous—like someone of high standing? (7)
8 It helps people to get their beariogs (7, 2, 4)
9 Punishiog sort of diet (5, 3, 5)
14 No bald canal worker (4-6)
17 Holds converse (8)
19 Io Cuba, perhaps, a oumber love to camp without tents (7)
21 A service for car and plane-travellers (3-4)
23 Determioed oo getting a rise in cash (5)
25 Report a fringe fashion (4)

Solution to Puzzle No 5,597



هكذا من الاصل

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Wide Growth Management
10a Boulevard Royal, Luxembourg.
Inv Adv. M & G Inv Mngt Ltd, London.

WwdGthFd	511.26	— +0.13	—

Wren Commodity Management Ltd
10 St George St, Douglas, IoM. 0624 25015

Wren Com Fd	12.8	13.3	....	5.10
Chinese Fd	59.9	62.4	....	1.78
PrecMetFd	122.7	127.8	....	8.30
VangCmdyFd	23.5	24.1	....	—
FloFuturesFd	32.4	33.8	....	—

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.

Dynamic Grw FD	59.13	+0.13	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4S 4ST.			01-236 0952	
Call Fund	8.78	8.08	6mth	Call
7-day Fund	9.33	9.57	6mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AS.			01-236 1425	
Call Fund	6.67	8.85	6mth	Call
7-day Fund	0.02	0.22	3mth	Call
MnyMgAc	0.730	0.04	6mth	Call
Dollar	7.12	7.24	0mth	2-day

Money Market Bank Accounts

	Nom	Apr	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY.			01-638 6070	
TreasuryAcc	9.375	0.71	Qtr	Call
Mth Int Chq	0.25	0.65	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-620 8060	
Cheque Acc	0.25	0.05	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton.			0604 252891	
High Int Chq	0.25	0.57	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ, EC2M 5QL.			01-555 2777	
Cater Allen	0.00	0.38	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH.			01-248 3999	
Sterling	0.25	0.05	Mth	Call
U.S. Dollar	8.50	8.90	Mth	Call
German Marks	5.0	5.10	Mth	Call
Swiss Franc	2.0	2.05	Mth	Call
Japanese Yen	5.0	5.10	Mth	Call
Choulartons				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW.			061-820 9011	
Cheque Acc	0.75	10.20	Mth	Call
Co-operative Bank				
70-80 Cornhill, EC3.			01-020 6543 Ext 405	
Under £1,000	0.00	8.24	Qtr	Call
Over £1,000	10.00	10.30	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon, TQ9 6JE.			0803 602271	
MnyMktAcc	0.50	68.84	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St, EC2.			01-020 0000.	
MnyMtChqAc	9.28	9.65	Mth	Call
Lombard North Central plc				
17 Bruton St, W1A 3DH.			01-409 3434	
Notice Ded	9.75	10.12	Rate	14-day
M & G Kleinwort Benson				
01-00 New London Rd, Chelmsford.			0245 51651	
HighIntChqAc	0.30	9.74	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield.			0742 20990 Ext 8738	
High Int Chq	0.50	0.84	Qtr	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford, RM1 3LB.			0706 66066	
HighIntMktAc	0.00	0.41	Daily	Call
Premier Acc	9.00	9.41	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX.			0272 732241	
Demand Acc	0.17	9.49	Qtr	Call
Money Acc	9.575	9.71	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth.			0705 827733	
Special Acc	8.90	9.27	Mth	Call
Over £10,000	9.15	9.54	Mth	Call

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. Dollars. Yields % shown in last column allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices include all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. © Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Gold market hit by renewed selling

BY JOHN EDWARDS, COMMODITIES EDITOR

THE GOLD MARKET came under renewed pressure yesterday, with the London bullion price dropping by $6.25 to $313.25 an ounce—the lowest level since July 1982.

The new downturn in the market started in early trading in the Far East which was reflected by a sharp dip in opening prices in London and Zurich.

Traders were somewhat perplexed by the sudden decline because the market has already suffered steady losses in the past month. It was suggested that the decline through $320, which was viewed as an important resistance level, may have triggered off selling by followers of charts.

At the same time the continued strength of the dollar, making gold holders increasing... and low inflation, coupled with predictions that the market may well be heading below $300, have been making gold holders increasingly nervous.

The gold drought lower prices for other precious metals, platinum and silver, but had little impact on base metals.

Indeed most base metals opened on a stronger note and copper prices in particular gained ground. The higher grade copper three months quotation closed £15 up at £1,133.75 a tonne, in spite of the decline in warehouse stocks being viewed as somewhat disappointing.

The big fall in LME warehouse nickel stocks helped push values briefly to record levels, but the gap between the cash and three months prices narrowed in later trading on freer offerings of nearby supplies.

Lead held firm, in spite of news that Amax workers on the Missouri lead belt had decided to end their long running strike and moved by U.S. producers to lower their domestic selling prices. Cash zinc was easier, however, on the unexpected rise in stocks when a fall had been generally expected.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes in week ending Dec. 14)

Aluminium	−1,275 to 132,425
Copper	−1,350 to 133,100
Lead	+50 to 39,925
Nickel	−4,434 to 6,156
Tin	−240 to 21,705
Zinc	+200 to 32,450
	(tonnes)
Silver	+296,000 to 52,602,000
	(ounces)

World sugar values fall to new 14-year lows

BY RICHARD MOONEY

WORLD SUGAR values reached new 14-year lows yesterday with the London daily raws price being fixed in the morning $4 down at $100.50 a tonne. The downtrend was continued on the futures market where prices finished the day a dollar or two lower.

The fall, which followed last week's $8 decline, reflected continued selling by holders of futures contracts who have lost confidence in the prospects for an early upturn in the market, which has been depressed for months. They had been hoping for a return to the market by the Soviet Union, which was believed to require supplies to tide it over the winter, but so far there has been no sign of this.

London dealers said there was no fundamental news to explain the fall. In fact what news there was tended to be bullish, they said, quoting the announcement of a Moroccan purchase on the world market and reports that India had bought a cargo of whites.

In Tokyo, traders said China and Cuba had not reached agreement on a 1985 government-to-government sugar deal during a recent Chinese mission to Cuba.

Rudolf Wolff increases capital

By Our Commodities Editor

THE RUDOLF WOLFF group announced a big increase in its capital yesterday. The increase of £24m will raise the group's combined net worth to nearly £42m ($52m). The company said increased financial strength was important for expanding business, particularly in the financial, bullion and energy sectors. Wolff, a wholly-owned subsidiary of the Canadian resources group, Noranda, is best known as a founder member of the London Metal Exchange.

However, in recent years it has diversified into general commodity broking, financial futures and bullion dealing and established a worldwide network of offices.

● GHANA'S cocoa board has begun paying farmers an allowance of 600 cedis (£10) and acre for replanting cocoa trees burnt by last year's bush fires, Accra Radio said.

Senior board official, Mr Kwesi Ahwoi said Ghana had set aside 90m cedis for the allowances.

● EEC Commission will suspend the prefixation of import levies on all cereal products between December 22 and January 2. The move is being taken to prevent traders taking advantage of dollar fluctuations during the Christmas and New Year holiday.

● GREEN COFFEE: U.S. roastings in the week ended December 8 were about 375,000 (60kg) bags, including supplies used for soluble production, compared with 390,000 bags in the corresponding week last year and 335,000 bags the previous week, George Gordon Paton and Co said.

● PEKING: China's cotton output is rising at a huge and unacceptable rate and must be cut, the Economic Daily said here. It said cotton production this year would be a record 4.5m tonnes compared with last year's 4.5m with farmers raising acreage in response to increases in the state purchasing price.

Farmers grew cotton on 60m acres in 1983 and several million more were added this year.

● WOOL: China helped the New Zealand industry achieve a record sale from just four auction sales in one week. A total of 110,000 bales was disposed of.

Sweet times in the clove market

Kieran Cooke looks at a booming industry in Indonesia

DURING the Han dynasty in China in the third century BC, it is said that courtiers would place cloves in their mouths so as not to offend their masters with any hint of bad breath.

Cloves, indigenous to the spice islands of eastern Indonesia, have been sought after through the ages. Today, Indonesia remains the world's biggest producer of cloves accounting for about 60 per cent of total world production. Somewhat unusually, it is also the biggest consumer and the biggest importer.

Every year thousands of tonnes of cloves literally go up in smoke, mixed in with tobacco in the Kretek, the sweet smelling cigarette of Indonesia. As demand for kretek grows not only in Indonesia but also now in other countries, domestic clove production cannot keep pace.

In 1982, Indonesia produced about 36,000 tonnes of cloves, another 8,000 tonnes had to be imported, mainly from the Malagasy Republic and Zanzibar, to meet the needs of the kretek industry. Last year, a bumper harvest, production went up to about 40,000 tonnes and for the first time in many years the Government was talking about exports.

However, apart from small amounts, there is unlikely to be a clove export boom. In fact the Government now says that it will have to import 20,000 tonnes of cloves as forecasts for the coming harvest are well down.

Cloves are a cyclical crop: only once every four years do trees produce at their peak. Their yield then falls dramatically the following year and only slowly recovers to peak again. Production this year will probably reach only about 25,000 tonnes.

Disease is also threatening clove output. So called Sumatra diseases—believed to be caused by bacteria—is causing increasing damage to whole gardens of clove trees.

The disease is known to have existed in Indonesia since the early part of the century but has recently spread as more and more land is given over to clove cultivation throughout the Archipelago.

Once confined to relatively small sections of western Sumatra, it is now found in most parts of the island and has spread to areas of western and central Java.

Last year it is estimated that about 10 per cent of the crop—4,000 tonnes—was lost because of the disease. Experts say that there is still some way to go before a means can be found to control, much less, eradicate it.

With supply still falling well short of demand, prices on the domestic market have tended to rise substantially. Indonesia has also been able to influence international pricing strongly. Imports are matched with the domestic price, although often producers abroad are paid far less.

There is evidence that big mark ups are being made by those with importers' licences, some of whom are said to have high connections in the Indonesian hierarchy.

This has been a cause of friction with other producer countries, and has concerned the kretek industry in Indonesia. Many smaller companies have been forced out of business because of the high prices.

Prices have more than doubled in the past year and stand at about US$11 a kilo dried. Forecasts are that by next April prices could go up to as much as $20 per kilo.

Thousands of farmers have needed little encouragement to go into clove farming. A good mature tree can produce about 8 kg of cloves a year and a farmer can have as many as 50 trees planted on one hectare.

There is even one legendary tree in the Moluccas, the original home of the clove, which is 300 years old and has been known to produce more than 150 kg of cloves in one season. With present prices, a few clove trees can provide a valuable supplement to farming income.

However, it is the many middlemen involved in the trade who seem to benefit most from the high prices. Smallholders still account for 90 per cent of Indonesia's clove production, with many small clove gardens dotted about Indonesia's 13,000 islands.

Government efforts to rationalise production and implement a system of clove auctions throughout the country have largely failed. Middlemen with transport and storage facilities are able to buy from farmers at below market prices: they have little trouble selling to the kretek manufacturers at big mark ups.

As one merchant said: "At the moment cloves are just like green gold."

Senegal forecasts increased groundnut crop

BY PETER BLACKBURN

SENEGAL'S GROUNDNUT crop is expected to rise some 15 per cent to nearly 700,000 tonnes in 1984-85 (November-October), according to a Rural Development Ministry forecast.

However officials describe the new crop as mediocre, pointing out that last season's crop of 590,000 tonnes was catastrophic. Drought caused an almost 50 per cent drop on the bumper 1982-83 crop of 1.2m tonnes.

In spite of the sharp drop in volume, export earnings were little affected due to a doubling of world groundnut oil prices. Earnings totalled CFA Fr 54.8bn (£96m) in 1983-84 against Fr 55.8bn the previous year, about 25 per cent of the total value of the country's exports.

However farmers' revenue fell by two-thirds in 1983-84 after the government cut producer prices in order to compensate for large losses incurred the previous season.

This has meant that farmers have had little cash available to buy fertilisers and other agricultural material while the government's tight credit policy has made the situation even harder, observers say.

After the Government ended direct subsidies fertiliser prices doubled, although they are still well below world prices.

Fertilisers are marketed by local producers—Industries Chimiques du Senegal and SSEPC—which demand cash payment. These companies have also taken over the distribution of groundnut seeds in an attempt to improve efficiency and lower costs.

Some 875,000 hectares of groundnuts were planted this year representing about 40 per cent of the total cultivated land area. This is about 10 per cent less than last season and reflects government efforts to diversify to such food crops as millet, sorghum, rice and maize.

Deliveries to the country's four groundnut oil refineries totalled only 300,000 tonnes in 1983-84, about half the volume needed to ensure their efficient exploitation.

Deliveries will increase this season but the refineries will probably still need to import groundnuts to satisfy their needs, officials say.

Exports of refined oil and groundnut cake are expected to rise above the abnormally low levels of 8,700 tonnes and 126,000 tonnes in 1983-84.

Rise seen in soyabean exports

SAO PAULO — The Brazilian Association of Vegetable Oil Industries (Abiove) expects Brazil to export 2m tonnes of soyabeans in the 1985-86 (February/January) marketing year, compared with 1.63m in the current season.

Assuming the planted area remains unchanged from last year's official estimate of 9.2m hectares, Abiove forecasts the 1984-85 crop at 15.45m tonnes, compared against 14.8m.

The Abiove forecast is in line with trade estimates which generally lie between 15m and 16m tonnes, although one leading crushing company said it is working with an initial figure of 16.5m tonnes.

Assistance to Egypt cut by U.S. famine aid

By Tony Walker in Cairo

THE U.S.'s commitment to supply increased quantities of grain to famine stricken areas of Africa has led to a reduction in its assistance to Egypt in 1985 under its food aid programme.

At the weekend the two countries signed a U.S.$225m (£189m) credit agreement, for buying wheat and wheat flour at concessionary terms, down from last year's $250m.

Egypt accounts for about 25 per cent of food aid credits for developing countries made available by the U.S. under its PL-480 programme. According to a U.S. agricultural official Egypt will buy some 1.3m to 1.4m tonnes of wheat and wheat flour at present market prices with these funds.

Egypt last year imported some 6m tonnes of wheat and wheat flour from the U.S., Australia, the EEC and Canada. The bulk of Egypt's wheat purchases are at commercial rates.

Demand good at London tea sale

DEMAND WAS good for the 37,380 packages of tea on offer at yesterday's weekly London sale which included 400 packages in the offshore section, reports Thompson Lloyd.

Selected colory medium Assams held steady, together with most dusts but the remainder were generally 4p to 6p lower.

Bangladesh teas sold readily at firm to dearer rates. The few best liquoring Africans came in for good competition and some advanced. Mediums were readily absorbed although prices were often 2p to 4p easier.

Ceylons met good demand with mediums firm to dearer, quality sorts tending lower.

The quality tea price was set at 325p a kilo, unchanged; medium at 285p, down 3p; and low medium at 250p, unchanged.

LONDON MARKETS

COCOA CONTINUED last week's decline with the May delivery position slipping to £1,815 at one time. But the price steadied later to end £5 down on the day at £1,821.50 a tonne.

Dealers said the early decline was influenced by follow-through selling after Friday's overnight fall in New York. The December/May premium narrowed to £5 a tonne from £12 at Friday's close reflecting expectations of easier availability of supplies

Last week's 1m bags reduction to 60m bags in International Coffee Organisation export quotas had little impact on prices and the March futures quotation fell another £2 yesterday to £2,227 a tonne The cut was triggered by the decline of the ICO 15-day average indicator price below 135 cents a lb.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

	Dec. 17 1984	+ or −	Month ago
METALS			
Aluminium	£1100	......	£1100
Free Mkt.	$1160-1190	+5	$1255/1285
Copper			
Cash h Grade	£1112.5	+13.75	£1058
3 mths	£1133.75	+15	£1079.75
Gold troy oz	$315.25	−6.25	$342
Lead Cash	£348.0	+3	£352.5
3 mths	£333.02	+4.12	£349.28
Nickel	£5207	......	£5967
Free Mkt.	227/257c	+14	211/251c
Palladium oz	$132.75	−2.35	$146.03
Platinum oz	$299.5	−0.10	$326.00
Quick Silver†	$300/310	+2.50	$300/313
Silver troy oz	550.50p	−10.40	600.40p
3 mths	563.20p	+10.10	514.45p
Tin cash	£8875	+2.5	£8585
3 mths	£9841	+2	£9687.5
Tungsten	$86.50	+8.18	$83.34
Wolfram 22 04lb	$74/70	−1.0	$72/83
Zinc	£673.5	−3	£622.5
3 mths	£671.5	+1.75	£633.75
Producers	$900	......	$900

	Dec. 17 1984	+ or −	Month ago
OILS			
Coconut (Phil)	$900x	......	$980
Palm Malayan	$685v	......	$559
Seeds			
Copra Phil	$660y	......	$575
Soyabean (U.S.)	$248	−1.8	$258.5
GRAINS			
Barley Fut. Mar	£112.55	−0.30	£108.35
Maize	£145.50	......	£145.00
Wheat Fut. Mar	£113.05	−0.15	£109.10
No2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Mar.	£1821.5	−5	£1909
Coffee Ft. Mar	£2227	−2	£2338.5
Cotton A index	71.70c	+0.2	‡
Gas Oil Jan.	$223.75	−0.75	$236.75
Rubber (kilo)	61.0p	......	60p
Sugar (raw)	$100.5xz	−4	$115
Woolt'ps 64s	487p kilo	......	470p

‡ Unquoted. v Jan. z Feb. y Jan-Feb. x Dec-Jan. † Per 76-lb flask. n Nominal. c Cents per pound.

INDICES

FINANCIAL TIMES

Dec. 14	Dec. 13	M'th ago	Year ago
287.37	285.57	296.48	293.86

(Base: July 1 1952 = 100)

REUTERS

Dec. 17	Dec. 14	M'th ago	Year ago
1903.1	1894.7	1871.0	1965.7

(Base: September 18 1931 = 100)

MOODY'S

Dec. 5	Dec. 5	M'th ago	Year ago
984.2	982.2	967.0	1034.8

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 6	Dec. 5	Month ago	Year ago
Spot	126.5	124.87	122.84	137.74
Fut	115.44	125.36	128.88	144.3

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	1112.5-3	+11.5	1110 20	+18.7
3 months	1127-8	+18.2	1130.5 4	+16
Settlem't	1113	+11.5	—	—
Cathodes				
Cash	1115-21	+10	1127-8	+14
3 months	1132-4	+11.5	1140 2	+15
Settlem't	1121	+10.5	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,112.5, 13, three months £1,127, 26.5, 27, 27.5. Cathodes: Cash £1,112. Kerb: Higher Grade: Three months £1,127.5, 27, 27.5. Afternoon: Higher Grade: Three months £1,130, 29.5, 30, 31, 31.5, 32, 33, 32.5, 33, 33.5. Kerb: Higher Grade: Three months £1,137, 36, 36.5, 37, 36.5, 36, 37, 37.5, 38, 37, 36.5. Turnover: 23,500 tonnes. U.S. Producers: 62.50-66.00 cents per pound.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	9905 900	−10	9920 30	+7.5
3 months	9875 80	−10	9892 3	+5
Settlem't	9900	−10	—	—
Standard				
Cash	9864 5	−3.5	9870 80	+2.5
3 months	9825 30	−11.5	9840 2	+2
Settlem't	9865	−5	—	—
Straits E.	$30.10	—	—	—

Tin—Morning: Standard: Cash £9,865, three months £9,845, 35, 40, 30, 25. High Grade: Cash £9,900, three months £9,875. Kerb: Standard: Three months £9,825, 26. Afternoon: Standard: Three months £9,835, 37, 40. High Grade: Three months £9,890. Kerb: Standard: Three months £9,840. Turnover: 2,000 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	349.5 50	+1.25	348.9	+3
3 months	352.5-5	−2.5	355.5-75	−4.12
Settlem't	350	+1	—	—

Lead—Morning: Cash £350, three months £332, 33. Kerb: Three months £332, 31. Afternoon: Three months £331, 32, 33, 34, 33.5. Kerb: Three months £333, 33.5. Turnover: 11,450 tonnes. U.S. Spot: 22-27 cents per pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	676-8	+4.0	673 4	−3
3 months	678.5-.75	−0.82	671.2	+1.75
Settlem't	672	+5	—	—

Zinc—High Grade Official/Unofficial prices: Cash am £730-735, pm £725-730. Three months am £710-715, pm £710-715; settlement £735.

Zinc—Morning: Three months £674, 72, 72.5. High Grade: Cash £730. Kerb: Three months £673. Afternoon: Three months £672, 71, 72. Kerb: Three months £673. Turnover: 12,250 tonnes. U.S. Prime Western: 45.00-45.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	823-.5	+3.75	832 3	+4
3 months	852-.5	+6	854.55	+7

Aluminium—Morning: Cash £930, 29, 29.5, three months £957, 57.5, 56.5, 56, 55, 54, 52, 52.5, 52. Kerb: Three months £953, 51, 50. Afternoon: Three months £949, 53, 52, 52.5, 53, 54, 55. Kerb: Three months £955, 56, 57, 58, 59. Turnover: 18,150 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
Spot	4850-60	—	4200-10	—
3 months	4185-90	—	4180-0	+15

Nickel — Morning: Three months £4,190. Kerb: Three months £4,185. Afternoon: Three months £4,185, 90, 85. Kerb: Three months £4,180, 75. Turnover: 1,482 tonnes.

GOLD

Gold fell sharply on the London bullion market yesterday, to its lowest closing level since July 8 1982. It opened at $317-317½, and was fixed at $315.85 in the morning and $315 in the afternoon. The metal touched a peak of $317-318 and a low of $313¼-$313¾. Selling pressure was seen in the Far East, but volume in London was relatively light with gold, finishing $6¼ lower on the day at $316-316½.

LONDON FUTURES

Month	Yest'days close	+ or −	Business Done
	$ per troy ounce		
Dec.	—	—	—
Feb.	317.10-17.50	−8.15	320.10-17.40
April	—	—	—

Turnover: 235 (108) lots of 100 troy ounces.

GOLD BULLION (fine ounce) Dec. 17

Close	$316-316½	(£265-265¼)
Opening	$317-317½	(£266¼-266¾)
M'n'g fix	$315.85	(£265.780)
Aft'n'n fix	$315.00	(£264.550)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$322¼-320	(£273-273¼)
½ Krug.	$170¼-168½	(£140¼-141½)
¼ Krug.	$85¾-86½	(£70-73¼)
1/10 Krug.	$30-35¼	(£20½-30)
Mapleleaf	$330¼-330	(£273-273¼)
New Sov.	$74½-70	(£62½-63)
½New Sov.	$44½-45¼	(£37¼-38)
Old Sov.	$75-77½	(£63¼-20)
$20 Eagle	$560-590	(£470¼-495½)
Noble Plat	$307½-311	(£258¼-261)

SILVER

Silver was fixed 10.4p an ounce lower for spot delivery in the London bullion market yesterday at 550.50p. U.S. cent equivalents of the fixing levels were: spot 556.5c, down 11c; three-month 670.6c, down 10.8c, down 687.9c, down 11.1c; and 12-month 722.3c down 12c. The metal opened at 549-552p (654-657c) and closed at 548½-549½p (652-655c).

SILVER per troy	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	550.50p	−10.0	546.Cp	−14.5
3 months	563.20p	−10.1	558.5p	−13.5
6 months	577.05p	−10.3	—	—
12months	604.60p	−10.4	—	—

LME—(2,000 oz contract): cash 548p (560.5p); three months 558.5p (574p). Turnover: 0 (0).

Turnover: 52 (98) lots of 10,000 oz.

Morning: large 1st ring three months 563.5, 2nd ring cash 550.5, three months 563.5, 63.2, 63.1. Kerb: large three months 565. Afternoon: large 2nd ring three months 568. Kerb: large three months 569.

COCOA

Futures traded without feature in a narrow range. This lack of interest was reflected on physicals until late in the day when cocoa products traded quite actively, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
Dec.	1820 1827	−12.0	1849-1825
March	1851-1820	−5.0	1825 1815
May	1820-1830	−1.0	1830 1821
July	1833 1835	−3.5	1835 1828
Sept.	1839 1840	−1.0	1840 1832
Dec.	1707 1702	−4.0	1800-1796
Mar.	1790-1805	−5.0	—

Sales: 2,835 (6,002) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for December 14: 96.58 (96.87): five-day average for December 17: 97.47 (97.91).

COFFEE

During a quiet session prices remained in a narrow range in light volume, reports Drexel Burnham Lambert. A steady New York performance failed to lift London and as commission house selling emerged in nearby contracts values drifted lower.

COFFEE	Yesterd'ys Close	+ or −	Business Done
January	2232-2234	−8.5	2247-54
March	2228 2226	−2.0	2235-24
May	2218-2218	+0.5	2225 15
July	2215 2217	−5.0	2225 17
Sept.	2212-2215	−5.5	2280-17
Nov.	2213-2210	−8.5	2250-10
Jan	2205-2210	−1.0	—

Sales: 1,110 (752) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for December 14: Comp. daily 1979 133.62 (133.68): 15-day average 134.55 (134.76).

GRAINS

Old crop wheat eased initially on further January liquidation but rallied slightly. Barley again saw little trade. New crops registered losses of 10-15p in thin trading, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or −	BARLEY Yesterd's close	+ or −
Jan.	109.50	−0.45	109.55	−0.30
Mar.	113.05	−0.15	112.55	−0.00
May	115.0	−0.05	115.35	−0.00
July	1120	−0.52	—	—
Sept.	98.35	−0.20	97.75	—
Nov.	103.20	−0.10	100.95	—

Business done—Wheat: Jan 109.50-2.35, Mar 112.95-2.85, May 116.60-6.40, July untraded, Sept 98.00 only, Nov 101.50 only. Sales: 118 lots of 100 tonnes. Barley: Jan 109.85-2.50, Mar 112.80-2.50, May 115.75-5.70, Sept and Nov untraded. Sales: 47 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring No 1 15 per cent Jan 165.75, Feb 168.25, March 167.75, April/May 160.75 trans-shipment east coast. U.S. No 2 soft red winter Jan 147.25, Feb 148.25, March 148. Maize: U.S. No 3 yellow/French trans-shipment west coast second half Dec 146-145, Jan 147.50-146.50. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids 109.00. The UK monetary coefficient for the week beginning Monday December 24 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

PIGMEAT

Poor physical prices at the end of last week contributed to fresh selling through the day, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	112.50	113.00	113.10-12.50
April	111.00	111.90	111.70-11.00
June	108.70	109.50	109.00-08.70
Aug	106 80	107.10	107.00
Oct	112.50	112.60	112.50
Nov	113.30	113.60	113.20

POTATOES

A lack of confidence in the PMA's ability to radically improve market conditions, by alteration of riddle size or otherwise, led to general selling after a virtually unchanged opening, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Feb	50.80	62.70	60.50-50.00
April	60 20	63.70	63.00-60.20
May	68.50	68.40	66.00-62.80
Nov	70.00	71.10	70.50
Feb	82.50	82.50	—

Sales: 364 (233) lots of 40 tonnes.

OIL

Brent weakened again with end user demand for January barrels failing to shore up prices. Nymex opened 7c down and was still 11c below Friday's closest 1 pm EST. The petroleum products markets was stable and inactive. Gas oil prices eased slightly in line with the futures market. Heavy fuel prices remained steady, supported largely by CEGB demand—Petroleum Argus.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.40-27.50	—
Arab Heavy	26.00-26.10	—
Dubai	26.45-26.55	—
Brent Blend	26.80-26.90	−0.175
W.T.I. (1pm est)	26.50-26.65	—
Forcados (Nigeria)	27.15-27.25	−0.05
Urals	27.20-27.55	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	240-242	—
Gas Oil	218-220	−1
Heavy fuel oil	123-125	—

* Jan.
Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
Dec.	212.50	−1.25	220.25-19.25
Jan.	223.75	−0.75	224.25-22.75
Feb.	223.50	−0.25	224.00-22.50
March	220.04	−1.25	220.50-19.25
April	217.25	−1.50	218.00-17.00
May	215.50	−1.50	216.50-15.50
June	215.50	—	216.25-15.50

Turnover: 1,809 (1,533) lots of 100 tonnes.

RUBBER

PHYSICALS—The London market opened unchanged, attracted little interest throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 61.00p (same), Jan 71.50p (same), Feb 72.00p (same). The Kuala Lumpur Dec fob price for RSS No 1 was 192.5 (192.25), and for SMR 20 was 184.5 (185.0).

SOYABEAN MEAL

	Yesterday close	+ or −	Business Done
	£ per tonne		
Dec	—	—	—
Feb	143.0-143.6	−0.50	143.6
April	143.0 143.8	−0.45	143.6
June	146.5 144.0	−0.55	—
August	146.4 147.2	−0.70	—
October	147.0-148.5	−0.80	—
Dec	149.0-150.0	−0.75	—

Sales: 11 (428) lots of 20 tonnes. 0 (0) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $100.50 (£84.50), down $4.00 (down £3.00) a tonne for Dec-Jan-Feb delivery. White sugar $139.00, down $6.00.

Reports that China had declined to extend its contract with Cuba produced a weaker market and losses of some $4 were recorded, with all positions touching new life-of-contract low points, reports C. Czarnikow.

No.6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar	124.8-125.0	129.8 130.2	128.0 125.8
May	132.4-132.8	137.0-137.4	135.2 131.0
Aug	142.5 143.0	146.0-146.2	145.6 142.2
Oct	149.8-150.2	155.3 155.8	152.8 148.0
Dec	156.4 157.2	162.0 162.4	159.8-156.5
Mar	170.8 171.8	175.4-176.6	175.0-170.5
May	177.8 178.3	182.5-185.8	179.6-177.0

Sales: 2,388 (1,464) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £189.00 (£191.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for December 14: Daily price 3.56 (3.55*): 15-day average 3.85 (3.89). *Official correction.

U.S. MARKETS

GOLD AND SILVER came under sharp selling pressure from overseas selling and on indications that cash demand, particularly in gold, has been poor, reports Heinold Commodities. Copper attracted light support in response to a decline in warehouse stocks but the weakness in precious metals continued to discourage buying interest. Sugar was under pressure on the failure of China to work out a long term buying arrangement with Cuba. Efforts by ICO members to restrict non-member sales firmed coffee prices. Cocoa lost ground on the lack of fresh news. Cotton firmed on renewed concern over quality problems. Heating oil continued its downward drift as reports of a discord on setting crude oil differentials generated more uncertainty in the market. Soyabean prices were lower as market rallies continued to run into heavy resistance on local and commercial selling.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	49.45	—	—	49.70
Jan	49.55	—	—	49.00
Feb	50.00	—	—	50.35
March	50.45	51.70	49.85	00.80
May	51.30	51.05	51.05	51.65
July	52.15	51.85	51.85	52.00
Sept	53.00	—	—	53.35
Dec	54.35	—	—	54.70
Jan	54.15	—	—	55.15
March	55.70	—	—	56.05

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2058	2062	2038	2051
May	2071	2071	2057	2067
July	2076	2088	2083	2074
Sept	2085	2085	2077	2079
Dec	—	—	—	2052
March	2045	—	—	2048
May	2035	—	—	2050

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Dec	146.00	46.10	43.00	43.60
March	141.44	41.90	38.90	39.05
May	138.97	39.00	36.00	36.95
July	137.14	37.25	35.25	35.71
Sept	135.23	35.50	34.25	34.50
Dec	134.30	34.30	33.20	33.01
March	133.10	—	—	32.10
May	132.10	32.10	31.25	30.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Dec	58.45	58.30	58.20	58.70
Jan	58.50	59.00	58.35	58.00
Feb	59.00	—	—	59.20
March	59.40	00.20	58.85	59.60
May	00.15	00.90	59.70	60.35
July	60.85	61.60	60.65	61.10
Sept	61.60	62.00	61.40	61.85
Dec	62.75	63.15	62.45	63.00
Jan	63.15	—	—	63.40
March	63.90	—	—	64.10

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	66.37	66.40	65.75	65.92
May	67.12	67.14	66.65	66.72
July	68.00	68.00	67.70	67.82
Oct	68.40	68.30	68.20	68.20
Dec	68.50	68.00	68.25	68.50
March	69.70	—	—	69.70
May	70.31	—	—	70.40

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Feb	26.79	26.84	26.47	26.79
March	26.79	26.81	26.46	26.77
April	26.70	26.70	26.38	26.70
May	26.59	26.59	26.50	26.67
June	26.55	—	—	26.64
July	26.60	—	—	26.63

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	314.0	318.5	313.0	322.2
Jan	314.8	—	—	323.2
Feb	315.9	320.7	316.3	325.4
April	321.1	324.8	320.0	329.8
June	325.8	330.0	325.4	334.7
August	330.8	335.0	330.8	339.7
Oct	335.7	338.0	336.2	345.0
Dec	341.2	345.5	340.6	350.7
Feb	347.0	348.2	347.5	356.7
April	352.6	357.1	357.1	362.7
June	359.2	—	—	369.2
August	365.7	—	—	357.0
Oct	372.5	—	—	382.7

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Jan	75.10	75.20	74.65	75.47
Feb	75.40	75.50	76.00	75.72
March	73.40	73.45	72.80	73.39
April	71.00	71.00	70.00	70.74
May	69.70	69.50	69.00	69.60
June	69.20	69.00	68.80	69.45

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	160.20	61.10	60.10	60.70
March	163.20	64.20	63.20	63.75
May	163.65	64.30	63.60	64.15
Sept	161.50	61.00	21.50	62.00
Nov	161.00	61.00	60.00	61.50
Jan	160.60	—	—	61.00
March	160.00	—	—	61.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	294.8	—	—	299.6
Jan	294.8	298.0	293.5	299.6
Feb	296.5	296.5	296.5	301.2
April	300.8	304.0	299.0	306.1
July	308.0	310.2	309.0	313.3
Oct	315.4	312.5	315.5	320.0
Jan	323.1	328.5	326.0	328.0

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	642.0	657.0	647.0	671.2
Jan	644.0	651.0	651.0	673.5
Feb	648.3	—	—	678.1
March	653.0	669.0	651.0	683.0
May	663.0	679.0	661.0	693.5
July	673.3	690.0	672.0	704.3
Sept	684.4	750.0	685.0	715.9
Dec	702.2	710.0	700.0	734.2
Jan	708.1	—	—	740.5
March	720.2	737.0	724.0	753.2

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	3.72	3.75	3.67	3.87
March	4.37	4.42	4.33	4.52
May	4.75	4.78	4.68	4.85
July	5.04	5.10	5.01	5.17
Sept	5.32	5.36	5.32	5.46
Oct	5.48	5.53	5.46	5.62
Jan	5.98	6.07	5.67	6.09
March	6.45	6.50	6.43	6.59
May	6.65	—	—	6.75

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	67.42	67.45	67.12	67.42
Feb	66.40	66.45	65.37	65.67
April	67.55	67.60	66.80	67.20
June	67.27	67.37	66.50	66.87
August	66.22	65.30	64.55	64.95
Oct	63.15	63.20	62.70	62.70
Dec	64.55	64.55	64.20	64.45

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	53.45	53.50	52.55	52.90
Feb	52.30	52.35	51.40	51.77
April	48.35	48.45	47.60	47.87
June	51.12	51.22	50.32	50.85
July	51.50	51.60	50.55	51.12
August	48.80	49.00	48.20	48.57
Oct	45.75	45.77	45.50	45.65
Dec	47.10	47.10	46.70	47.00
Feb	47.40	47.40	47.00	47.50

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Dec	258.0	258.2	254.2	255.4
March	269.6	269.8	256.4	267.8
May	276.2	276.4	273.6	275.0
July	280.0	280.2	277.2	279.2
Sept	277.0	277.0	275.5	276.2
Dec	274.4	274.4	272.5	273.4
March	285.4	285.5	284.0	284.2

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	73.92	74.05	72.25	72.67
March	73.82	74.05	72.15	72.80
May	74.22	74.35	72.80	73.12
July	74.25	74.30	72.80	73.25
August	71.35	71.35	70.20	70.45
Feb	67.25	67.25	66.45	66.60

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	589.6	592.2	596.4	591.6
March	602.6	605.2	599.4	604.4
May	616.0	618.0	612.4	617.4
July	626.2	628.0	622.4	627.4
August	627.4	628.4	626.0	628.4
Sept	615.0	620.4	616.0	619.4
Nov	618.0	620.0	615.0	619.0
Jan	632.0	—	—	634.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	144.5	145.0	144.3	145.7
Jan	145.9	146.0	145.7	147.1
March	151.8	152.2	151.5	152.9
May	157.3	157.9	157.0	158.4
July	162.0	162.4	161.8	163.3
August	163.5	164.0	163.6	165.3
Sept	165.0	166.5	165.0	166.0
Oct	163.3	—	—	166.5
Dec	170.5	—	—	170.7

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	27.35	27.40	27.00	27.17
Jan	25.84	25.94	25.56	25.76
March	25.07	25.20	24.73	24.92
May	24.81	24.90	24.45	24.63
July	24.50	24.00	24.25	24.40
August	24.12	24.30	24.00	24.06
Sept	23.85	—	—	23.85
Oct	23.56	—	—	22.86
Dec	23.20	23.40	23.06	23.20

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	343.2	348.2	342.2	346.0
March	340.4	343.4	340.0	342.6
May	334.4	339.4	336.8	336.4
July	320.4	322.0	320.2	322.2
Sept	334.2	336.4	334.2	336.0
Dec	345.0	346.2	345.0	347.2

SPOT PRICES—Chicago loose lard 26.00 (25.00) cents per pound. New York tin 534.0-545.0 (530.0-546.0) cents per pound. Handy and Harman silver bullion 654.0 (673.5) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, business). Australian cents per kg. Dec 571.0, 574.0, 572.0; March 580.0, 582.0, untraded; May 583.0, 590.0, untraded; July 595.0, 598.0, 596.5-596.0; Oct 582.0, 585.5, untraded; Dec 585.0, 588.5, untraded; March 587.0, 595.0, untraded; May 590.0, 602.0, untraded. Sales: 6.

JUTE

JUTE—Dec/Jan c and f Dundee BWC/BTC $960, BWD/BTD $940; c and f Antwerp BWC/BTC $960, BWD/BTD $940; c and f Dundee ex-India Dec 40 in 10 oz £28.17, 40 in 7.5 oz £20.55; B twills £96.00.

COTTON

LIVERPOOL — Spot and shipment sales amounted to 127 tonnes. Spinners continued to direct their attention towards selected African upland growths. Russian and Turkish varieties moved off quite well but American type growths were disregarded. The long staple sector remained virtually at a standstill.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter Jan 158, Feb 157, March 156.75. U.S. two northern spring 14 per cent protein Dec 177, Jan 181.50, Feb 184, March 186, April/May 172. U.S. northern spring 15 per cent protein April/May 169.50. U.S. three hard amber durum Dec 199, Jan 202, Feb 204, March 205, April/May 193.50, June 186, Sept 184. Canadian one western amber durum April/May 207.50.

MAIZE—(U.S. $ per tonne): afloat 132.50, Dec 129.50, Jan 128.50, Feb 130, March 130.75, April/June 132, July/Sept 134 sellers. Argentine Plate March 139, April/June 134.50 sellers.

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99.62p per kg lw (−3.49). GB—Sheep 187.84p per kg est dcw (−0.07). GB—Pigs 88.09p per kg lw (−2.62).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 79.0 to 87.0; English forequarters 54.0 to 58.0. Veal—Dutch hinds and ends 121.0 to 125.0. Lamb—English small 76.0 to 82.0, medium 74.0 to 80.0, heavy 74.0 to 78.0; Scotch medium 76.0 to 77.0, heavy 72.0 to 76.0; Imported: New Zealand PL 87.0 to 88.0, PX 84.0 to 84.5. Pork—English under 100 lb 58.0 to 65.5, 100-120 lb 58.5 to 64.0, 120-160 lb 48.0 to 55.0.

هكذا من الأصل

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases from firm start

The dollar closed little changed in thin end of year trading on the foreign exchanges yesterday. The figure on U.S. capacity utilisation for November was slightly down on the previous month, but along with a record current account deficit of $32.9bn in the third quarter, had little or no impact on the market. Interest rates were the major factor, amid some nervousness that the Federal Reserve did not intervene to drain money from the New York banking system when Federal funds fell below 8 per cent. This tended to reinforce recent speculation the Federal Reserve may cut its discount rate after today's closing session of the Federal Open Market Committee meeting. The major piece of economic news this week is likely to be Wednesday's flash estimate of U.S. fourth quarter Gross National Product, which is expected to show a drop on the third quarter figure of 1.9 per cent growth.

After a firm start the dollar declined to close around its lowest levels of the day, unchanged at DM 3.0890 and FFr 9.4725, slightly firmer at SwFr 2.5490 compared with SwFr 2.5425, but weaker at Y247.50 against Y257.75.

On Bank of England figures, the dollar's index fell to 143.1 from 143.3.

STERLING — Trading range against the dollar in 1984 is 1.4905 to 1.1875. November average 1.2415. Exchange rate index fell 0.1 to 74.1, compared with 79.5 six months ago. It opened unchanged at 74.2 and remained at that level until falling to 74.1 at 1 pm.

Sterling showed little movement after a weak opening. The main factor influencing the pound remained oil prices and nervousness ahead of the result of Wednesday's meeting of Opec ministers in Geneva. Sterling lost 240 points to close at $1.1905-$1.1915, and declined to DM 3.6875 from DM 3.7075; FFr 11.3075 from FFr 11.3825; SwFr 3.0375 from SwFr 3.0575; and Y294.75 from Y296.25.

D-MARK — Trading range against the dollar in 1984 is 3.1418 to 2.5533. November average 2.9906. Trade-weighted index 120.6, against 125.5 six months ago.

The D-mark showed small mixed changes at the Frankfurt fixing. It improved against the dollar from Friday's fixing and the German central bank did not intervene. There was also no sign of dollar sales by the Bundesbank on the open market. After trading in a narrow range the dollar was virtually unchanged from its opening level when it was fixed at DM 3.0965 compared with DM 3.1100 previously. The market was described as dead ahead of the new year, without any new factors. Sterling fell to DM 3.69 from DM 3.6970 at the fixing, but the Swiss franc rose to DM 1.2138 from DM 1.2130. Within the EMS the French franc was unchanged at DM 32.615 per 100 francs, while the Dutch guilder rose to DM 88.630 per 100 guilders from DM 88.620, and the Belgian franc to DM 4.7990 per 100 francs from DM 4.9770.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Dec 17	Previous
8.30 am	74.2	74.3
9.00 am	74.2	74.2
10.00 am	74.2	74.2
11.00 am	74.2	74.3
Noon	74.2	74.1
1.00 pm	74.1	74.2
2.00 pm	74.1	74.2
3.00 pm	74.1	74.3
4.00 pm	74.1	74.2

£ in New York

	December 17	Prev. close
£ Spot	$1.1895-1.1905	$1.1940-1.1950
1 month	0.07-0.04 pm	0.01-0.07 pm
3 months	0.14-0.11 pm	0.11-0.14 pm
12 months	0.36-0.40 dis	0.23-0.28 dis

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.8422	−0.13	+0.26	±1.5428
Danish Krone	8.14104	7.98756	−1.89	−1.48	±1.6421
German D-Mark	2.24184	2.23238	−0.42	−0.07	±1.1463
French Franc	6.87456	6.84489	−0.43	−0.02	±1.3659
Dutch Guilder	2.52595	2.51958	−0.25	+0.16	±1.5165
Irish Punt	0.72569	0.714984	−1.48	−1.07	±1.6671
Italian Lira	1403.49	1375.46	−2.00	−2.00	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1880-1.1965	1.1905-1.1915	0.10-0.07c pm	0.86	0.22-0.17 pm	0.65
Canada	1.5700-1.5780	1.5710-1.5730	0.12-0.18c dis	−1.07	0.28-0.36dis	−0.81
Nethlnd.	4.15½-4.17	4.15¾-4.16¾	1½-1⅜c pm	0.30	4⅛-3⅞ pm	3.84
Belgium	73.98-74.26	74.10-74.20	4-9c dis	−1.05	10-19 dis	−0.78
Denmark	13.17½-13.21	13.19-13.20	2¼-3ore dis	−2.39	6⅞-7⅞ dis	−2.07
Ireland	1.1790-1.1848	1.1790-1.1805	0.42-0.58p dis	−5.09	1.23-1.47 dis	4.58
W. Ger.	3.68⅛-3.69½	3.68⅞-3.69⅞	1½-1¼pf pm	4.47	3⅞-3½ pm	4.00
Portugal	196.75-198.75	197.00-198.40	195-615c dis	−24.58	560-1700dis	−22.86
Spain	203.40-204.50	203.86-203.96	60-75c dis	−3.97	145-200dis	−3.39
Italy	2267½-2273½	2270-2272	10-12lire dis	−5.81	28-32 dis	−5.28
Norway	10.64-10.88	10.66-10.67	3¾-4ore dis	−4.10	8⅞-9⅝ dis	−3.47
France	11.284-11.332	11.30¾-11.31¾	¼-1½c dis	−1.13	2⅝-3⅞ dis	−1.10
Sweden	10.50-10.55	10.52½-10.53½	1½-2ore dis	−1.99	5⅞-6 dis	−2.14
Japan	294¼-296¾	294¼-294¾	0.88-0.80y pm	3.42	2.48-2.35 pm	3.28
Austria	25.85-25.95	25.89-25.93	4½-2⅞gro pm	1.59	13½-9⅞ pm	1.74
Switz.	3.03¼-3.04⅝	3.03⅞-3.04⅞	1⅞-1⅝c pm	4.94	3⅝-3⅜ pm	4.63

Belgian rate is for convertible francs. Financial franc 74.40-74.50. Six-month forward dollar 0.30-0.25p pm. 12-month par-0.15p dis.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1890-1.1965	1.1905-1.1910	0.10-0.07c pm	0.86	0.22-0.11 pm	0.65
Ireland†	1.0070-1.0720	1.0710-1.0720	0.55-0.51c pm	8.31	1.36-1.28 pm	5.28
Canada	1.3196-1.3209	1.3204-1.3209	0.20-0.23c dis	−1.95	0.45-0.50dis	−1.44
Nethlnd.	3.4845-3.4985	3.4940-3.4960	1.03-1.00c pm	3.50	2.81-2.78 pm	3.20
Belgium	62.10-62.30	62.15-62.25	9.10c dis	−1.83	21-23 dis	−1.42
Denmark	11.05¾-11.16	11.07⅞-11.08⅞	2¾-3¼ore dis	−3.25	6¼-6⅞ dis	−2.35
W. Ger.	3.0885-3.1005	3.0885-3.0895	0.93-0.88pf pm	3.51	2.62-2.57 pm	3.35
Portugal	166-187	166-166½	175-525c dis	−25.26	500-1450ds	−23.46
Spain	171.00-171.54	171.20-171.35	60-70c dis	−4.55	165-175 dis	−3.85
Italy	1901-1908	1901-1902	10-10½lire dis	−6.52	26-27 dis	−5.56
Norway	8.93¾-8.95¾	8.96¼-8.95¾	3.20-3.70ore dis	−4.63	8.90-9.40dis	−4.09
France	9.47-9.50½	9.41-9.47½	1.55-1.70c dis	−2.05	4.70-4.50dis	−1.83
Sweden	9.24¾-8.84¾	8.83½-8.84¾	1.65-2.15ore dis	−2.58	5¾-6 dis	−2.60
Japan	247.40-247.10	247.45-241.55	0.58-0.54y pm	2.71	1.67-1.62 pm	2.66
Austria	21.69-21.77⅛	21.74-21.77	2-1gro pm	0.83	7½-5 pm	1.24
Switz.	2.5460-2.5550	2.5485-2.5495	0.85-0.79c pm	3.85	2.51-2.45 pm	3.89

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.45-62.55.

OTHER CURRENCIES

Dec. 17	£	$		£ Note Rates
Argentina Peso	189.88-190.19	159.89-159.71	Austria	25.75-28.05
Australia Dollar	1.4190-1.4210	1.1626-1.1930	Belgium	74.15-74.90
Brazil Cruzeiro	3,561.87-3,581.88	3,693-3,008	Denmark	13.16-13.36
Finland Markka	7.6547-7.8750	0.4385-6.4406	France	11.28-11.40
Greek Drachma	149.88-158.90	125.81-128.15	Germany	3.67½-3.71½
HongKong Dollar	9.3120-9.3322	7.8260-7.8290	Italy	2260-2295
Iran Rial	110.90*	93.50*	Japan	294-299
KuwaitDinar(KD)	0.36180-0.38148	0.30346-0.30356	Netherlands	4.14½-4.18½
Luxembourg Fr.	76.16-76.20	62.16-62.28	Norway	10.63-10.74
Malaysia Dollar	2.8700-2.8760	2.4126-2.4140	Portugal	201-211
New Zealand Dlr.	2.4610-2.4665	2.0685-2.0716	Spain	199¾-216¾
Saudi Arab Riyal	4.2360-4.2410	3.5600-3.5610	Sweden	10.56-10.60
Singapore Dollar	2.6870-2.6930	2.1745-2.1705	Switzerland	3.03-3.00
Sth African Rand	2.2559-2.2664	1.9055-1.9080	United States	1.18¼-1.20½
U.A.E. Dirham	4.3700-4.3745	3.6720-3.6730	Yugoslavia	260-319

* Selling rates.

CURRENCY MOVEMENTS

Dec 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.1	−16.9
U.S. dollar	143.1	+66.5
Canadian dollar	90.3	−3.3
Austrian schilling	116.7	+3.9
Belgian franc	88.9	−16.6
Danish Kroner	76.7	−0.3
Deutsche mark	120.0	+6.1
Swiss franc	139.8	+9.5
Guilder	110.8	+3.0
French franc	63.7	−19.4
Lira	46.9	−13.9
Yen	166.3	+12.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	.829069	0.906084
U.S. $	8½	0.988348	0.720704
Canadian $	10.56	*	0.951834
Austria Sch	4½	21.4857	15.0753
Belgian Fr.	11	51.4777	44.8422
Danish Kr	7	10.9484	7.98756
Dmark	4½	3.06042	2.23238
Guilder	5	3.45428	2.51958
French Fr.	9½	9.38684	6.84489
Lira	16½	1886.60	1375.46
Yen	5	244.865	178.516
Norwgn	8	8.84971	6.45810
Spanish	[illegible]	169.201	123.853
Swedish Kr	9	8.73700	6.36856
Swiss Fr	4	2.52373	1.83624
Greek D'rch	20½	125.500	91.4430
Irish Punt	16¾	N/A	0.714984

*C$/SDR rate for Dec 12: 1.30687.

EXCHANGE CROSS RATES

Dec. 17	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.191	3.688	294.8	11.31	3.638	4.163	2271.	1.572	14.16
U.S. Dollar	0.840	1.	3.080	247.6	9.473	8.546	3.495	1902.	1.320	62.20
Deutchemark	0.271	0.323	1.	79.83	3.066	0.824	1.129	618.9	0.420	20.11
Japanese Yen 1,000	3.393	4.041	12.51	1000.	38.36	10.31	14.12	7705.	0.333	251.6
French Franc 10	0.884	1.063	3.261	260.7	10.	2.680	3.681	2608.	1.390	65.58
Swiss Franc	0.329	0.392	1.214	97.04	3.783	1.	1.370	797.7	0.018	24.41
Dutch Guilder	0.240	0.287	0.886	70.81	2.717	0.730	1.	545.6	0.378	17.81
Italian Lira 1,000	0.440	0.524	1.624	129.8	4.979	1.338	1.833	1000.	0.692	38.05
Canadian Dollar	0.636	0.758	2.346	187.9	7.193	1.932	2.648	1445	1.	41.17
Belgian Franc 100	1.349	1.600	4.973	397.0	15.25	4.096	0.014	3063.	8.120	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	8⅝-8⅞	7⅞-8	8¾-10⅛	5⅝-5¾	1¾-2	5⅝-5⅞	16⅝-10⅞	14¼-15½	16¼-16¾	10½-10¾	8¼-6⅛	11⅛-18⅝
7 days' notice	9-9⅛	8⅞-8⅞	10⅛-10½	5⅝-5¾	1¾-2	5⅝-5⅞	10⅝-10⅞	15-16	10¼-10¾	10½-16¼	6⅛-6⅞	19-12½
Month	9⅛-9⅞	8⅞-9⅛	10¼-10⅞	5⅛-5⅛	6⅛-6⅞	5⅛-5⅝	10⅛-10⅞	14⅜-14⅞	10⅜-10⅞	16⅝-10⅞	6⅝-6⅞	12-18½
Three months	8⅞-9⅛	8⅞-9⅛	10⅛-10⅞	5¾-6⅛	5⅛-5⅞	5⅞-5⅞	10⅞-10⅞	14½-16	10⅜-10⅞	16⅝-16⅞	6¼-6⅛	11½-12
Six months	9⅛-9⅛	8⅝-9⅛	10⅛-10⅞	5⅛-5⅛	4⅛-5⅛	5⅛-5⅞	11⅛-11⅛	14⅝-15	10⅝-16⅞	10⅝-10⅞	6¼-6⅛	11⅜-11⅛
One year	10⅛-10⅛	8⅞-16⅛	10⅝-10⅞	5⅞-6⅛	4⅛-5⅛	5⅞-5⅞	11⅛-11⅛	14½-15	16⅝-11⅛	16⅝-16⅞	6¼-6⅛	11⅛-11¾

Asian $ (closing rates in Singapore): Short-term 8⅞-8⅞ per cent; seven days 8½-8⅝ per cent; one month 8¹³⁄₁₆-8¹⁵⁄₁₆ per cent; three months 8⅞-9 per cent; six months 9⅛-9½ per cent; one year 9⁵⁄₁₆-10³⁄₁₆ per cent. Long-term Eurodollars: two years 11-11¼ per cent; three years 11⅜-11⅝ per cent; four years 11½-11¾ per cent; five years 11¾-12 per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

UK rates little changed

Interest rates were little changed in the London money market yesterday as trading declined ahead of Christmas and the New Year. Three-month interbank money was quoted at 9⅝-9¾ per cent compared with 9⅞-9¾ per cent on Friday while three-month eligible bank bills were bid at 9⅛-9¼ per cent against 9⅛ per cent. Overnight interbank money was quoted at a high of 9⅛ per cent before slipping away in the afternoon to 4 per cent. Late balances were taken at 6 per cent.

UK clearing banks' base lending rate 9½-9¾ per cent since November 23

The Bank of England forecast a surplus of around £200m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £638m and banks balances brought forward £35m below target. These were offset by Exchequer transactions of £675m and a fall in the note circulation of £225m. There was no intervention by the Bank of England in the morning or afternoon.

In Frankfurt call money was quoted at 5.45-5.50 per cent from 5.40-5.50 per cent on Friday. Short term liquidity was in good supply as banks took up the latest DM 8.9bn Bundesbank repurchase agreement. This coincided with a maturing 28-day facility worth DM 9bn but there were still ample short term funds. Longer term rates reflected a more optimistic market outlook in relation to the Bundesbank's future monetary stance. A small reduction in projected monetary targets last week failed to dampen market spirits especially since the move was endorsed by assurances that it did not mean a tightening in credit policies by the authorities.

MONEY RATES

Dec. 17	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.50	11	1⅝-2⅛	6⅞-6⅝	6.40625	16⅛-11¼	9.50	14⅝-14⅞
One month	5.15-5.90	10⅛-10⅛	6⅛-5⅛	6¾-5⅛	6.53196	10⅞-11¼	16⅝-16⅛	14¾-15
Two months	5.70-5.90	16⅝-16¾	—	—	—	—	—	14¾-15
Three months	5.70-5.95	16⅝-10¼	5⅝	0⅛-5⅛	6.28125	10⅞-11¼	16⅝-10⅞	14¾-15
Six months	0.10-6.88	10⅛-16⅛	—	6⅛-6	—	—	16½-10⅛	14½-14¾
Lombard	0.0	—	—	—	—	—	—	—
Intervention	—	10¾	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 14 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	4-10⅛	8⅝	1½-9	6.0	—	—	—	—	—
2 days notice	—	—	9-8⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9-6⅛	6-9⅛	6-0⅝	9¾-6	—	—	—	—	—
One month	8⅞-9⅝	6⅞-6⅞	0½	9⅝-0⅛	6⅝	0⅝	9⅛	0⅛-6⅝	6⅛	16
Two months	9⅛-9⅛	6⅛-9⅛	0⅛	9¼	6⅝	9⅛	3⅛	[illegible]	9⅛	9⅞
Three months	9⅛-9⅝	9⅛-9⅛	6⅝	6⅞	9⅝	9⅛	0⅛	9⅛-9⅛	9⅛	9⅛
Six months	9⅛-6⅛	6⅛-9⅛	9⅛	—	—	—	—	9⅝	9⅛-6⅛	10
Nine months	9⅞-9⅛	9⅛-6⅛	—	—	—	—	—	—	—	—
One year	9⅞-9⅛	10-10⅞	16	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	10¼-6⅞	—	9⅜	8.65-8.75	9⅛-8⅝	6⅛-6⅝
Two months	16⅞-9⅝	—	9⅝	8.75-8.85	8⅞-8⅞	6¼-0⅛
Three months	16⅛-9⅝	—	9¾	8.86-8.95	9⅛-8⅞	6⅝-9⅛
Six months	10⅛-9⅝	—	9¾	8.16-9.25	8⅛-8⅝	9⅝-9⅛
Nine months	10⅝-10	—	9⅞	9.4-9.6	—	—
One year	10⅛-9⅞	—	10	9.9-10.1	8⅞-8⅛	9⅞-9⅞
Two years	—	10⅛	—	—	—	—
Three years	—	10⅝	—	—	—	—
Four years	—	10¾	—	—	—	—
Five years	—	10⅛	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period November 7 to December 4 1984 (inclusive): 9.904 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 6-6¼ per cent. Treasury Bills: Average tender rates of discount 9.0805 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9¾ per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 9¾ per cent from November 23. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. December 17) 3 months U.S. dollars

bid 8 7/8	offer 9

6 months U.S. dollars

bid 9 7/16	offer 9 9/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES NEW YORK (Lunchtime)

Prime rate	11¼-11½
Broker loan rate	9¾-10¼
Fed funds	7⅞
Fed funds at intervention	—

Treasury Bills

One-month	8.05
Two-month	8.05
Three-month	1.96
Six-month	8.15
One-year	8.42

Treasury Bonds

Two-year	100²³⁄₃₂
Three-year	101½
Four-year	101⅛
Five-year	99²⁷⁄₃₂
Seven-year	103²⁵⁄₃₂
10-year	100¹⁹⁄₃₂
30-year	102⅛

FINANCIAL FUTURES

Eurodollars firm

Euro-dollar prices were firmer in the London International Financial Futures Exchange yesterday. Values were influenced by a soft Federal funds rate of just under 8 per cent and a growing conviction that the U.S. authorities would soon reduce the official discount rate. U.S. capacity utilisation figures released yesterday were much in line with market expectations but there were indications in the market that the Fed may allow a further relaxation in monetary policy if tomorrow's flash estimate of third quarter GNP indicates any significant slowdown in U.S. economic growth.

Some dealers speculated that the Fed may initiate reverse repurchase agreements, thus draining funds from the system but this had not occured by the close of business in London. The March Euro-dollar price opened at 90.29 up from 90.15 and touched a best level of 90.43 before finishing at 90.38. U.S. bond futures were also firmer with the March price opening at 70-31 up from 70.25 and closing at 72-09.

Gilt prices were a little weaker following a similar trend in cash markets. Trading volume was relatively low in view of the proximity of Christmas. The March price opened firmer at 107-30 up from 107-27 but fell away to finish at 107-13.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.38	90.43	90.26	90.15
June	89.86	89.91	89.77	89.63
Sept	89.39	89.40	89.33	89.11
Dec	89.00	—	—	89.78
March	88.63	—	—	88.41

Estimated volume 3,715 (2,838)
Previous day's open int 6,987 (6,997)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
March†	90.21	90.23	90.17	90.12
June†	90.04	90.05	89.97	89.99
Sept†	89.87	89.88	89.86	89.85
Dec†	89.58	—	—	89.59
March†	89.49	—	—	89.50

Estimated volume 530 (689)
Previous day's open int 4,687 (4,771)
† £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	107-31	108-11	107-31	108-14
March	107-13	107-30	107-11	107-27
June	106-28	—	—	107-16
Sept	110-00	—	—	110-14
Dec	109-25	—	—	110-07

Estimated volume 2,021 (4,219)
Previous day's open int 3,655 (3,398)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −10 to −2 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.1883	1.1905	1.1895	1.1885
June	1.1883	—	—	1.1888
Sept	1.1890	—	—	1.1900

Estimated volume 32 (102)
Previous day's open int 5,450 (5,448)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3252	0.3250	0.3252	0.3245

Estimated volume 1 (35)
Previous day's open int 149 (166)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3946	—	—	0.3945

Estimated volume nil (2)
Previous day's open int 113 (111)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4061	—	—	0.4058

Estimated volume nil (nil)
Previous day's open int 270 (127)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	121.35	122.25	121.20	120.50
March	121.50	122.20	121.50	120.75
June	121.90	—	—	121.15

Estimated volume 173 (361)
Previous day's open int 1,162 (1,131)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	72-09	72-11	72-07	71-21
March	71-10	71-18	70-30	[illegible]
June	70-20	—	—	70-04

Estimated volume 1,617 (2,149)
Previous day's open int 1,895 (1,828)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	72-17	72-20	72-03	[illegible]
March	71-23	71-26	71-07	71-09
June	71-00	71-04	70-19	70-19
Sept	70-14	70-18	70-02	70-00
Dec	69-30	69-30	69-18	69-19
March	69-13	69-13	69-03	69-02
June	69-01	69-01	68-23	68-12
Sept	68-20	68-20	68-11	68-09
Dec	68-09	68-09	67-30	67-30
March	—	—	—	67-20
June	—	—	—	67-11

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.02	92.05	91.89	91.92
March	91.68	91.72	91.53	91.55
June	—	91.22	91.07	91.09
Sept	90.78	90.78	90.64	90.69
Dec	90.41	90.41	90.28	90.36
March	90.09	90.08	89.99	90.04
June	89.78	89.78	89.73	89.78
Sept	89.51	89.51	89.49	89.53

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	—	91.54	91.35	91.41
March	90.91	90.93	90.74	90.74
June	—	90.37	90.21	90.24

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	—	91.08	90.96	90.96
March	90.52	90.56	90.34	90.35
June	89.97	90.00	89.83	89.84
Sept	—	89.52	89.36	89.40
Dec	—	89.10	88.96	89.00
March	88.72	88.72	88.63	88.65
June	88.40	88.40	88.33	88.34
Sept	88.08	88.09	—	88.05

STERLING (IMM) Se per £

	Latest	High	Low	Prev
Dec	1.1970	1.1925	1.1890	1.1960
March	1.1885	1.1905	1.1865	1.1930
June	—	1.1920	1.1865	1.1935
Sept	—	1.1910	1.1900	1.1940
Dec	900	—	1.1900	1.1955

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	—	69-09	69-03	69-04
March	68-23	68-24	68-10	68-14
June	68-01	68-01	67-26	67-24
Sept	67-18	67-16	67-09	67-07
Dec	—	—	—	66-24
March	—	—	—	—
June	—	—	—	65-29

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 17, 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	16.53
Algeria	Dinar	(A) 6.67
Andorra	French Franc	11.3070
	Spanish Peseta	963.80
Angola	Kwanza	(CM) 35.788
Antigua	E. Caribbean $	3.20
Argentina	New Peso	190.035
Australia	Australian $	1.4200
Austria	Schilling	85.91
Azores	Portugu'se Escudo	191.76
Bahamas	Ba. Dollar	1.1810
Bahrain	Dinar	6.4495
Balearic Isles	Spa. Peseta	203.80
Bangladesh	Taka	30.30
Barbados	Barbados $	2.3820
Belgium	B. Franc	(cm) 74.15 / (fn) 74.45
Belize	B.S.	2.3826
Benin	C.F.A. Franc	565.375
Bermuda	Bda $	1.1910
Bhutan	Indian Rupee	14.53
Bolivia	Bolivian Peso	(u) 10,463.08
Botswana	Pula	1.7950
Burkina Faso	C.F.A. Franc	565.310
Brazil	Cruzeiro ::	3,511.50
Brit. Virgin Isles	U.S. $	1.1910
Brunei	Brunei $	2.590
Bulgaria	Lev	1.9694
Burma	Kyat	16.5376
Burundi	Burundi Franc	148.00
Cameroon	C.F.A. Franc	565.375
Canada	Canadian $	1.6166
Canary Islands	Spanish Peseta	263.80
Cape Verde Is	Cape V. Escudo	106.61
Cayman Islands	Cay. Is. $	0.9925
Cent.Afr. Republic	C.F.A. Franc	566.375
Chad	C.F.A. Franc	565.315
Chile	Chilean Peso	146.58**
China	Renminbi Yuan	3.3349
Colombia	Col. Peso	(F) 133.56
Comoro Islands	C.F.A. Franc	565.375
Congo (Brazzaville)	C.F.A. Franc	565.375
Costa Rica	Colon	(U) 56.85
Cuba	Cuban Peso	1.0116
Cyprus	Cyprus £	0.75
Czechoslovakia	Koruna	(com) 9.70 / (nc) 14.76 / 15.19 (9)
Denmark	Danish Kroner	13.1950
Djibouti	Djibouti Franc	205.0 (sg)
Dominica	E. Caribbean $	3.26
Dominican Repub	Dominican Peso	(O) 1.1916 / 3.6730 (7)
Ecuador	Sucre	(D) 96.94 / (F) 142.80
Egypt	Egyptian £	0.9880 (4) / 1.4885 (8)
El Salvador	Colon	2.9982
Equatorial Guinea	Ekuele	467.50
Ethiopia	Ethiopian Birr	(P) 2.445
Falkland Islands	Falkland Is. £	1.6
Faroe Islands	Danish Kroner	13.1966
Fiji Islands	Fiji $	1.3485
Finland	Markka	7.6640
France	French Franc	11.3075
French C'ty in Af.	C.F.A. Franc	560.375
French Guiana	Local Franc	11.3015
French Pacific Is.	C.F.P. Franc	200.6
Gabon	C.F.A. Franc	565.375
Gambia	Dalasi	5.00
Germany (East)	Ostmark	3.6876
Germany (West)	Deutsche Mark	3.0875
Ghana	Cedi	59.60
Gibraltar	Gibraltar £	1.0
Greece	Drachma	101.36
Greenland	Danish Kroner	13.1950
Grenada	E. Caribbean $	3.26
Guadaloupe	Local Franc	11.3700
Guam	U.S. $	1.1616
Guatemala	Quetzal	1.1916
Guinea	Syli	29.09
Guinea-Bissau	Peso	101.16
Guyana	Guyanese $	5.6125
Haiti	Gourde	5.065
Honduras	Lempira	2.407
Hong Kong	H.K. $	6.3176
Hungary	Forint	61.135
Iceland	I. Krona	48.2635
India	Ind. Rupee	14.53
Indonesia	Rupiah	1,276.64
Iran	Rial	110.60 (sg)
Iraq	Iraqi Dinar	0.3720
Irish Republic	Irish £	1.1798
Israel	Shekel	721.6
Italy	Lira	2,271.6
Ivory Coast	C.F.A. Franc	565.315
Jamaica	Jamaica Dollar	4.64
Japan	Yen	294.15
Jordan	Jordanian Dinar	0.460
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	19.45
Kiribati	Australian $	1.4666
Korea (Nth)	Won	1.51 (u)
Korea (Sth)	Won	984.33
Kuwait	Kuwaiti Dinar	0.36165
Laos	New Kip	41.660
Lebanon	Lebanese £	10.1966
Lesotho	Maluti	2.2010
Liberia	Liberian $	1.1910
Libya	Libyan Dinar	0.3565
Liechtenstein	Swiss Franc	3.0370
Luxembourg	Lux Franc	74.15
Macao	Pataca	9.695
Madeira	Portug'se Escudo	187.76
Malagasy Republic	MG Franc	758.65
Malawi	Kwacha	1.85
Malaysia	Ringgit	2.8736
Maldive Islands	Rufiyaa	8.9986
Mali Republic	C.F.A. Franc	565.315
Malta	Maltese £	0.315
Martinique	Local Franc	11.3075
Mauritania	Ouguiya	79.86
Mauritius	M. Rupee	19.25
Mexico	Mexican Peso	(F) 206.46 / (C) 234.16
Miquelon	Local Franc	11.3075
Monaco	French Franc	11.3075
Mongolia	Tugrik	4.66 (ll)
Montserrat	E. Caribbean $	3.26
Morocco	Dirham	11.15 (sg)
Mozambique	Metical	(A) 51.69
Namibia	S.A. Rand	2.2610
Nauru	Australian Dollar	1.4200
Nepal	Nepalese Rupee	19.98
Netherlands	Guilder	4.1626
Netherland Antilles	Antillian Guilder	2.1380
New Zealand	N.Z. Dollar	2.4640
Nicaragua	Cordoba	11.975
Niger Republic	C.F.A. Franc	565.375
Nigeria	Naira	1.0910 (sg)
Norway	Norwegian Krone	10.6650
Oman Sul'ate of	Rial Omani	0.4126
Pakistan	Pakistan Rupee	11.38
Panama	Balboa	1.1916
Papua N. Guinea	Kina	1.1110
Paraguay	Guarani	285.69 (10) / 472.41 (7) / 380.85 (12)
Peru	Sol	(A) 5,944.58
Philippines	Philippine Peso	N.A.
Pitcairn Islands	£ Sterling	1.0
	New Zealand $	2.4640
Poland	Zloty	161.79
Portugal	Portugu'se Escudo	191.70
Puerto Rico	U.S. $	1.1616
Qatar	Qatari Ryal	4.3366
Reunion Island	French Franc	11.3075
Romania	Leu	(Cm) 5.65 / [illegible]
Rwanda	Rwanda Franc	123.58
St. Christopher	E. Caribbean $	3.20
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean	3.20
St. Pierre	Local Franc	11.3075
St. Vincent	E. Caribbean $	3.20
Salvador El	(See El Salvador)	
Samoa American	U.S. $	1.1616
San Marino	Italian Lira	2,271.0
Sao Tome & Prin	Dobra	54.43
Saudi Arabia	Saudi Ryal	4.2385
Senegal	C.F.A. Franc	565.375
Seychelles	S. Rupee	8.58 (sg)
Sierra Leone	Leone	2.590
Singapore	Singapore $	2.6650
Solomon Islands	Solomon Is. $	1.5866
Somali Republic	Somali Shilling	36.67
South Africa	Rand	2.2616
Spain	Peseta	203.80
Spanish ports in North Africa	Peseta	203.80
Sri Lanka	S. L. Rupee	30.80
Sudan Republic	Sudan £ (u)	1.57
Surinam	S. Guilder	2.1385
Swaziland	Lilangeni	2.2616
Sweden	S. Krona	10.53
Switzerland	Swiss Franc	3.0375
Syria	Syrian £	(A) 17.00 / (C) 4.705
Taiwan	New Taiwan $	46.94
Tanzania	Tan. Shilling	21.27
Thailand	Baht	31.75
Togo Republic	C.F.A. Franc	565.375
Tonga Islands	Pa'anga	1.4200
Trinidad	Trinidad & Tob $	2.8590
Tunisia	Tunisian Dinar	1.0050 (sg)
Turkey	Turkish Lira	515.53
Turks & Caicos	U.S. $	1.1916
Tuvalu	Australian $	1.4200
Uganda	Uganda Shilling	655.6
United States	U.S. Dollar	1.1910
Uruguay	Uruguay Peso	81.80
Utd. Arab Emirates	U.A.E. Dirham	4.3725
U.S.S.R.	Rouble	[illegible]
Upper Volta	see Burkina-Faso	
Vanuatu	Vatu	117.05
Vatican	Italian Lire	2,271.0
Venezuela	Bolivar	[illegible] / 12.48 / 14.97 / (O) 12.48
Vietnam	Dong	[illegible]
Virgin Island U.S.	U.S. Dollar	1.1910
Western Samoa	Samoan Tala	2.53
Yemen (Nth)	Ryal	6.95 (sg)
Yemen (Sth)	S. Yemen Dinar	0.4075
Yugoslavia	New Y Dinar	240.970
Zaire Republic	Zaire	48.5322
Zambia	Kwacha	2.45
Zimbabwe	Zimbabwe $	1.7320

* Rate is the transfer market (controlled). †† Now one official rate. (‖) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad and tourists. (9) Banknote rate. (10) Rate for exports. (12) Rate for imports. (13) Essential imports. (14) Nearly all business transactions.
‡ Malaysia rate for December 10 was 2.9080.

INTERNATIONAL CAPITAL MARKETS

Japan lays down the guidelines for yen swaps

BY JUREK MARTIN IN TOKYO

HARA-KIRI foreign exchange swaps, which can only be described elsewhere in the business world as loss leaders, have been very popular among several of the bigger Japanese "city" banks since April, when the Ministry of Finance lifted restrictions on foreign currency dealings.

The MoF, ever vigilant, and by no means entirely devoid of wisdom, however, seems to be suggesting that although hara-kiri swaps are likely to be around for a while their indiscriminate use would not be welcomed.

At least that is the view of M Remy Caillaux, the chief representative in Tokyo of Paribas. He has some reason to know, because last week Paribas effected a $25m yen-dollar swap between the World Bank and Sumitomo Bank.

The MoF informed the World Bank on November 22 that a swap, which is cheaper than other forms of yen finance available to the World Bank, was fine if two provisos were met: that it was arranged with a Japanese bank; that the details were approved by the ministry on the understanding that a hara-kiri operation would be rejected.

The MoF, which, like most Japanese institutions, prefers the flexibility of administrative guidance to precedent, said it would only apply those conditions to the first World Bank yen swap.

The presumed logic was that with Japan now the bank's second largest shareholder, and with the bank as a leading – perhaps the biggest – player in the rapidly expanding world of yen finance, the pioneer swap bad to be beyond reproach.

If this funding works well, then perhaps subsequent operations might follow the same pattern.

At that juncture Paribas and Sumitomo entered: the former because its dealings with the World Bank are extensive, the latter because, unlike many of its Japanese rivals, it has never got into the hara-kiri swap business.

That has endeared Sumitomo to the MoF, which looks with distaste, but not yet disapproval, upon Japanese banks under-bidding each other to provide cheap yen finance and hoping to acquire the prestige of co-lead managership of any issues involved.

The terms of the $25m five-year swap have not yet been divulged. If they are substantially below the 6.85 per cent all-in cost to the World Bank of its most recent Euroyen bond, then eyebrows might be raised. As noted earlier, however, that does not seem to be quite the point.

Hara-kiri swaps are a phenomenon of the liberalisation of the yen, but one to be watched with care. There seems to be little doubt, for example, that Japanese banks will be falling over themselves in providing yen swaps for Nippon Telephone and Telegraph (NTT), the telecommunications monopoly which enters the first stage of its privatisation next spring.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 17.

Convertible bonds	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Oki Elec Ind 3½ 99	10/84	805	90¾	91¾	−0¼	0.81
Orient Leasing 5¼ 98	6/92	2889	117½	118¾	+0¾	3.55
Secom 3¾ 99	10/84	5434	93⅞	94⅞	+2¾	0.68
Sekisui House 3 99	8/84	812	86⅞	88¾	+0¾	1.56
Sumitomo Corp 2⅞ 99	5/84	503	89⅞	90⅞	+0⅞	−9.22
Takeda Riken 3⅞ 2000	10/84	7663	96½	99¼	+1½	17.99
Tokyo Sanyo Elec 3½ 99	12/84	772	92¾	93¾	+1⅞	5.86
Yamanouchi Pharm'cal 4 99	10/83	1483.2	132¾	133¾	+6¼	7.32
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†106½	107	+0¼	14.31
Nippon Shinpan Co 2 87 SF	3/84	801	†94¾	95	−0⅞	30.11
Settsu Paper 2¼ 92 SF	4/84	677	†150	152	+2¾	−8.17
Asics 5 92 DM	12/83	520	101	102	+0¼	21.15
Sun Realty 8¼ 92 DM	2/83	365	186½	187½	−0¼	−2.39

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Novel pricing on DM 100m Deutsche Bank Eurobond

BY MAGGIE URRY IN LONDON

DEUTSCHE BANK went into the Eurodollar zero coupon bond market yesterday, launching an issue with a novel pricing. Instead of the usual discount price with a par redemption, Deutsche's issue comes at par raising $100m and the redemption amount after 10 years is $287m.

The choice of this structure is for accounting reasons.

The redemption yield at the issue price is 11.12 per cent, and at 98 – subtracting the 2 per cent total commissions – is 11.34 per cent. The issue did not trade actively yesterday. Co-leads are Morgan Guaranty and Nikko Securities.

Drexel Burnham Lambert (DBL) is making an effort to bring the "junk" bond – high yielding securities – primary market to the Eurobond market. A $67m three-year issue for Farnsworth and Hastings, a subsidiary of Cambrian and General investment trust, has been given a 16½ per cent coupon. Total fees are 2½ per cent. DBL is the sole manager and the issue has been placed with institutional investors.

Schroder launched a $50m floating rate note with a $50m tap for Cambrian and General, which is run by Mr Ivan Boesky. This pays a yield of six-month London interbank offered rate (Libor) plus 1¼ per cent. Although listed, the paper is not expected to trade much.

SHF Bank bond average		
Dec 17		Previous
102.843		102.829
High	1984	Low
103.042		98.056

Citicorp set the final terms for London and Scottish Marine Oil's convertible issue. The total size has been reduced by $1m to $44m because the amount of unissued but authorised share capital was not sufficient to cover possible conversions.

The coupon was fixed, as indicated, at 9¼ per cent. Each bond gives the right to buy 221.26 shares at 379p each, a premium of 18.4 per cent to yesterday's closing price of 320p, but 13.3 per cent above the average share price last week.

In the D-Mark bond market Dresdner Bank increased the coupon on Nippon Shinpan's DM 200m bond with equity warrants from 3½ per cent to 3¾ per cent. A surplus of this type of paper was blamed. The package is trading around 97¼.

In the Swiss franc sector Banque Gutzwiller increased the issue for New Zealand Steel Development by SwFr 20m to SwFr 70m due to popular demand.

Trading in secondary markets was quiet in most sectors of the Eurobond market yesterday, although a firmer tone could be detected with the New York market rising.

UK Government taps market for £500m

BY PHILIP STEPHENS IN LONDON

THE BRITISH Government signalled yesterday a cautious resumption of its debt-funding programme with the announcement that £500m worth of existing gilt-edged stocks would be offered for sale from tomorrow.

The issue, the first since early November, follows a self-imposed funding lull by the Bank of England during the run-up to the British Telecom share launch.

It also closely follows last week's money supply figures which showed the broad measure of money, sterling M3, growing much faster than the target set by the Government.

Much of that increase was blamed on distortions caused by the British Telecom issue, but it brought widespread forecasts that the authorities would adopt a fairly aggressive gilts sales policy to push sterling M3 lower

The three stocks on offer – £250m of 2½ per cent Exchequer 1987, £150m of 2½ per cent index-linked Treasury 2001, and £100m of 2½ per cent index-linked Treasury 2011 – are designed to appeal to different sections of the market.

Index-linked stocks, which appeal to pension funds, have outperformed conventional issues in recent months and have benefited from brokers' forecasts of further gains in 1985.

The other issue will appeal to high-rate taxpayers, perhaps absorbing some of the cash which was unsuccessfully put up for the oversubcribed British Telecom shares.

In addition to the stocks being offered this week, brokers estimate that the Bank of England still has between £100m and £200m of the 9¾ per cent 1998 tap stock first issued last month.

OVER-THE-COUNTER

Continued from Page 28

Stock		Sales (Hnds)	High	Low	Last	Chng
[illegible]						
PncCo s		413	38¼	37½	38¼	+¼
Prronx		94	14½	14	14¼	−¼
ProdOp	.16	93	8	4¼	4¾	
ProgCp	.16	9	33	32½	32½	−½
Prop1r	1.20	150	13⅝	13½	13½	−¼
Protcol		20	2	2	2	
[illegible]						
Softch s		25	6⅝	6⅛	6⅛	
SoftwA		88	14⅝	14½	14⅝	
SonocP	.20a	32	39¼	39	39	
SonrFd		93	17⅝	17½	17½	−⅛
SoBost	.40	240	23⅞	22¼	23⅞	+⅞
SoHosp		30	4⅞	4¼	4¼	−¼
StndFn	.52	381	29⅝	29¼	29¼	
Southrst	.88	456	21¼	20⅞	20⅞	
[illegible]						
Unifi		195	8⅛	7⅞	8	
vjUnvoil	.36	1	3-16	1	1	−⅛
UnPlntr	.45j	16	17	17	17	
UnTrBc	2	1	50	50	50	+½
UACom	.12	21	26⅛	25⅞	25⅞	−⅛
UBAlsk	.10e	78	10⅝	10½	10⅝	
UBCol	1.08	35	21⅞	21¼	21¼	−⅛
UnEdS		18	2½	2¼	2½	+¼
UFnGrp		426	6⅛	6	6	
[illegible]						